Market Access, Trade and Enabling Policies Project (MATEP)

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Final Report

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EXECUTIVE SUMMARY

Background: The MATEP project was a five year USAID economic growth project designed to increase Zambia's exports of agricultural and natural resource products and tourism services into regional and international markets. It is a results-oriented project that was intended to *make exports happen*. Local demand, beyond basic food needs, is limited and only by exporting will Zambia be able to raise the incomes of its rural population.

The export baseline was $405 million in 2004. MATEP's target was to contribute to raising exports in selected agricultural and natural resource categories to $620 million over the course of the project. In fact, Zambia's exports reached $883 million by the end of 2009. Data for the final six month period were unavailable at the time of closedown. To grow these exports, the project focused on 11 core value chains and on tourism. The value chains were horticulture/floriculture, honey, groundnuts, beans, coffee, paprika/chili, seeds, handicrafts, textiles, livestock and wood products. Exports of these 11, plus tourism, offered the greatest potential for growth over the project horizon, as well as for impact on Zambia's economy and population, owing to interventions of the project. MATEP also assisted stakeholders in responding to opportunities in other value chains as they arose. MATEP's performance *vis a vis* the full set of performance indicators is shown in the Performance Monitoring Plan Annex to this report.

The project had five closely interlinked components to achieve its export objective: Market Access, Trade and Enabling Policy, Tourism, Finance and HIV/AIDS. The Market Access component focused on identifying foreign markets into which Zambia can sell and on working with exporters to successfully complete transactions in those markets. MATEP targeted both regional markets and more distant markets in Europe, America and Asia for Zambia's exports. The Trade and Enabling Policy component focused conducing policy-oriented research in selected agricultural value chains and addressing domestic policies and regulations that constrain Zambia's exports. The Tourism component focused on raising Zambia's profile as a premier, multi-faceted tourist destination in Africa, and on skill development in the tourism sector. With the Finance component, MATEP operated a $2 million investment fund and used its technical assistance resources to help small and medium scale export and tourism enterprises access formal sector credit. Finally, the HIV/AIDS component worked to mainstream HIV/AIDS prevention activities into client business operations and, with its partners, design and implement sustainable HIV/AIDS prevention programs.

Details regarding activities and performance in each project component are summarized in separate sections of this report. Following each component section are Success Stories; write ups of achievements with a number of MATEP client firms and associations.

MATEP's strategy for implementation included focusing on small and medium sized enterprises (SMEs), focusing on firms involved in value addition and focusing on companies led by true entrepreneurs. Why the SME focus? Because the sector is fundamental for sustainable economic growth and no country has developed without a large and thriving "middle." Nevertheless, it is large firms and the poor that get most attention from government, donors and NGOs. MATEP's role was to assist the middle becoming stronger and better connected with the wider economy. Why value addition? Because Zambia has the capability for agro-processing which increases firm-level revenue and employment, as well as national export earnings. It also increases domestic demand for raw material inputs into processing. However, value addition has received less attention than promotion of commodity production in the past. Why a focus on "true" entrepreneurs? Because many owners run their businesses as casual operations rather than as dynamic firms eager to grow in a competitive environment. Some of these owners are otherwise employed or retired and run their businesses as sidelines. Others seem to run their businesses in order to access government or donor support. By screening out such firms, MATEP focuses resources on entrepreneurs who will make the most of project assistance.

MATEP was a consortium made up of five organizations led by Development Alternatives, Inc. of Bethesda, Maryland. Other consortium members include ECI*africa,* a South African-based firm; Michigan State University; the International Executive Service Corps; and the Zambia Agribusiness Technical Assistance Centre (ZATAC), a local Zambian company. Aside from our consortium partner, ZATAC, MATEP's closest collaborating organization in Zambia was the Zambia Development Agency's Export Promotion and Market Development Division, formerly the Export Board of Zambia.

Market Access: The objective of the Market Access component was to increase Zambia's exports. Focusing on private enterprise in the agriculture and natural resource sectors, the Market Access component worked with businesses and other strategic partners providing support critical to making successful and sustainable export linkages.

Market Access issues were addressed from two directions; from a focus on market development and from a focus on client services to exporters. Within the market development focus were subcomponents on geographic market development and value chain development. Within the client services focus were subcomponents for buyer linkages and enterprise support. MATEP also conducts quarterly Environmental Reviews of client activities and a total of 13 reviews were concluded over the period of the project.

The Market Access approach was to focus on value chains that had strong potential for demand-driven growth, only value chains with strong and growing demand pull were deemed eligible for intervention. The second critical focus was selecting value chains where there was an ability or capacity for local supply to meet demand requirements (including volume, variety, grades and standards) competitively (usually price).

In the course of providing assistance to exporting clients, over 80 reports including market surveys, buyer linkage reports, business plan development, environmental assessments and other information relevant to successful export linkages. Over the course of the project MATEP developed close working relationships with several financing organizations and MATEP assisted firms develop applications for accessing financing from these organizations as well as from MATEP's Investment Fund

Market Development: MATEP concentrated during the project on the many opportunities for exporting Zambian products into regional markets. The DRC, South Africa, Botswana, and Angola were the most prominent market opportunities in the region, whilst Zimbabwe became a growing market opportunity toward the project's end. Preferred products in the region included fresh vegetables and flowers, canned goods, honey, peanut butter, maheu, certified seed, beans and groundnuts.

The biggest challenges to successful market access in the region were price competitiveness, grades and standards and quality of packaging. Other concerns from buyers were consistency of supply and volume. MATEP helped exporting clients overcome theses challenges to both export directly to buyers in the region and to sell through agents and local distributors in target markets. MATEP clients such as Freshpikt, Zamseed, Glymo Enterprises and Forest Fruits are successfully exporting through distributorship agreements identified or facilitated by MATEP. MATEP also played a critical role guiding clients on developing marketing strategies to export products into the region and developing new products targeted at regional markets.

Value Chains: MATEP focused on value chains that had strong potential for demand-driven growth and viable capacity for local supply to competitively meet demand. MATEP support to various value chains has resulted in more structured and coordinated industries, more competitive products, increased capacity to meet international grades and standards and increased market access. In the honey value chain, for example, MATEP established a common dialogue platform for the industry that has, since its formation, developed a strategic investment proposal for the honey value chain and established a honey innovation fund allowing honey producers, processors and service providers to access funds for their activities. MATEP also worked with the Zambian Plant Quarantine and Phytosanitary Services Department and the South African Government's Department of Agriculture toward removal of the irradiation requirement for honey coming from Zambia.

In groundnuts, MATEP interventions are leading to value chain growth from several hundred tons a year to prospects of supplying 10,000mt of groundnuts to Europe in 2012. MATEP has helped with the creation of the Groundnut Industry Association of Zambia, a national apex association for the industry, and developed a coordinated approach to market access, addressing quality assurance concerns (especially aflatoxin management and testing), production, processing and bulking of the groundnut crop. A total of US$1 million has been leveraged for the industry through MATEP and more than 600mt of groundnuts sold into the region. With the white bean value chain, MATEP has led efforts that now enable Zambian rural based small scale farmers, commercial farmers and processors to participate in an industry that has a local and regional demand valued at US$40 million.

Client Services: A key success factor in assisting clients successfully export MATEP's flexibility to develop interventions that were tailor made for each client, product or value chain. MATEP was able to respond to smaller clients such as African Joy, Glymo Enterprises and the Kasholwasholwa Women's group as well as to larger clients such as Freshpikt Limited, Capital Fisheries Ltd and Savanna Beef. With MATEP assistance, clients have strengthened business plans, upgraded facilities and improved packaging and product design leading to expanded exports to the region and the world. One of the last services was development of a web-based export portal for the Zambia Development Agency website which will serve as a platform for Zambian exporters in the future. This was paired with design and printing of flexible-form export catalogues developed specifically for maximum impact for firms attending trade shows to promote Zambian exports.

Amongst the various success outlined in this report, MATEP raised the bar for marketing Zambian exports at international fairs, winning the Best Stand award at Africa's largest food exhibition, Africa's Big Seven. MATEP stands at trade shows won a total of seven awards during the project.

Trade and Enabling Policy: The Trade and Enabling Policy component objective is to work at domestic, regional, and international levels to improve the enabling environment for exports in order to raise Zambia's international competitiveness and attract foreign investment. Project interventions are grouped into two main areas; the first dealing with the trade environment and the second dealing with value chain research in the agriculture sector. Within the Trade Environment area, MATEP had four subcomponents: Collaboration on trade policy; Reducing administrative costs and delays; Overcoming barriers to trade and Assistance in development of a small claims court.

Collaboration on Trade Policy: MATEP has worked throughout with the Private Sector Development (PSD) Program, a government and private sector initiative, to address constraints to private sector led growth in the country. MATEP worked principally through the PSD Administrative Barriers Working Group (ABWG) and the Trade Expansion Working Group (TEWG). MATEP played a pivotal role in getting the TEWG started by providing Secretariat services and technical support to the working group.

Overcoming Barriers to Trade: Activities covered two broad areas; sanitary and phytosanitary (SPS) issues and bilateral agreements. MATEP worked with the private sector and the Plant Quarantine and Phytosanitary Services (PQPS) to address the constraint to Zambia's export of organic honey to South Africa and worked to have SPS information computerized. MATEP also helped develop a Memorandum of Understanding (MOU) for trade between North Western Province in Zambia and Moxico Province in Angola.

Development of the Small Claims Court: MATEP helped to mobilize resources for establishment of a SCC including preparing an SCC proposal and budget, and assistance to initiate two SCC pilots in Zambia.

MATEP conducts detailed value chain research through the Food Security Research Project (FSRP) to better understand how the agricultural economy works and through collaboration with public and private sector stakeholders, to influence government trade and agricultural policy. Research focuses particularly on the maize, horticulture, cotton and fertilizer value chains.

Horticulture: Given the relative lack of information on Zambia's domestic horticultural system at the beginning of this project, the horticultural sub component emphasized applied analysis followed by stakeholder interactions:

- Conduct of the Urban Consumption Survey: This survey has enabled analysis of urban consumption patterns and market shares of various commodities including fresh fruits and vegetables, staples and is being used for some more commodities like charcoal, livestock and livestock products, and urban agriculture.
- Horticultural trade flows and pricing dynamics: A rich database has been created, consisting of data on 48,227 lots of tomato, rape and onion entering the main wholesale market in Lusaka (Soweto) and 22,051 wholesale/first seller and 12,610 retail price observations for these commodities.
- Tomato value chain analysis: This contributed information on the structure and behavior of this staple vegetable consumed in urban areas of Zambia which is important for influencing policy. Results have been presented, discussed and published in national and international fora.
- Horticultural Supply Chain Task Force: Stakeholder interaction enabled articulation of key issues affecting domestic horticultural production, marketing and consumption.
- Horticultural market information system: A mobile phone based system was designed and tested for generating and transmitting price and supply data to ZNFU which has been piloting the system. The system is ready for implementation.

Cotton: The strategy for addressing the cotton sector's constraints focused on three elements: learning from past successes; evaluating, proposing selected modifications, and monitoring existing policy initiatives; and identifying new initiatives to address specific constraints. The key elements in the approach were:

- Drawing on continent-wide work, the project identified key strengths and weaknesses and the types of policy and programmatic initiatives needed to continue improving performance.
- Evaluating the Outgrower Fund and the Cotton Act, and proposing improvements. Of the two, the Cotton Act received by far the most attention due to its potentially central role in shaping the sector for the foreseeable future.
- A major new initiative proposed has been the credit data base. The project first proposed this data base in 2005 in the course of assessing the proposed new Cotton Act and has continued to be involved as the initiative moves forward.

Maize: Maize is a staple food crop in Zambia and the politics surrounding the crop required continually interacting with the stakeholders and providing useful empirical evidence on various issues. In a number of cases, new senior staff in the Ministry would need to be oriented on key issues and evidence available regarding maize marketing and trade issues in order not to reverse gains made with former senior staff. As a rule of thumb, a "joint products" approach was very effective in that training, applied research, and outreach were undertaken collaboratively with in-country stakeholders and government counterparts. In terms of specific policy changes, it was found that

- Private trade develops more slowly and more tentatively where government policy is unpredictable, a situation that continues to haunt Zambia.
- Cutting off trade depresses the long-term development of commercial markets; properly regulated commercial markets promotes price stability
- If governments intervenes too heavily, then markets will not develop
- There is need to continue promoting consultation and coordination between public and private sectors to reduce uncertainty in each others' behavior

Fertilizer: The focus of work on fertilizer research was on informing and supporting MACO's Agricultural Inputs Marketing Development Plan (AIMDP), subsidy distribution by the state versus development of a sustainable private sector distribution system within the context of the AIMDP, the impact of the FSP on input markets and smallholder fertilizer use and continued interaction with ACF, MACO and other stakeholders in assisting to move the FSP reforms forward

Similar to maize, fertilizer in Zambia has been used as a political tool to win elections. This made interventions very difficult but, a number of reforms have been implemented as a result of project effort. Continued engagement of key policy makers, MACO senior staff and other stakeholders was key to achieving these changes. The lesson learnt during this process is to continuously work collaboratively with in-country stakeholders and government counterparts and not to ignore the role of the political economy.

Tourism: MATEP's Tourism Component was comprised of five sub-components: Improving international marketing, Forging Collaborative alliances, Providing private sector client services, Conducting tourism research and Improving tourism skills. These are slightly different than the subcomponents MATEP started out with, which were revised during the first year of implementation in order to focus project activities more directly on current needs and demand in the sector.

Increase International Marketing: Zambia's considerable attractions have historically encountered numerous challenges on the world market: lack of easily available information, high cost of access, erratic quality products and services and a weak enabling environment. MATEP has tried to address each of these and considerable attention has been given to increasing the international exposure of the Zambian tourism product. Working with private sector associations, individual enterprises and government,

MATEP promoted new approaches to participating in trade shows, road shows and internet marketing. Perhaps the most important change has been an intangible one: our partners have a new approach regarding international marketing; they prepare better for marketing activities, think holistically about products, understand the value of tour packaging, improve their marketing materials and have an enhanced web presence.

Collaborating Alliances: The key achievements in this in the area are with private sector associations and with donor coordination. MATEP worked closely with the Tourism Council of Zambia (TCZ), the Hotel and Catering Association of Zambia (HCAZ) and the Travel Agents Association of Zambia (TAAZ), along with others, to facilitate an exchange of ideas on key issues. To this end, MATEP assisted in hosting the successful First Stakeholders meeting in April 2009 when the issue of the global financial meltdown in the economy brought public and private players together on this challenging issue. MATEP was also active with the Joint Assistance Strategy of Zambia among donors which came together in 2006. MATEP continued, in the following years, bringing together participants active in the tourism sector to share information and experiences. This evolved into a Cooperating Partnership group which still meets regularly.

Client Services: MATEP worked closely with industry associations in developing strategic plans, member services and analytical capability. New strategic plans and more attention to member services helped TCZ refocus its organization when its operational viability was threatened. The refocusing led to significant new funding from the World Bank and the Royal Netherlands Embassy. HCAZ also drew heavily on MATEP to identify, analyze and resolve policy and operational issues. MATEP's analytical assistance to private associations was particularly important during debates over the proposed Tourism and Hospitality Bill and Zambia Tourism Board Bill. Few associations had the in-house capacity to provide input to that debate. MATEP helped to close that void and in so doing helped the private sector speak with a more cohesive voice.

Research and Policy: MATEP has been able to provide immediate and objective expertise to handle research on important policy issues which arose during the years of the project. Some of these issues were; zero-rating of VAT on tourism activities, a Government directive regarding the use of private sector facilities and a steep increase in tourism visa fees. MATEP provided systematic research input which helped participants move beyond emotional responses and just react to proposed changes. MATEP provided empirical research on a number of issues affecting the sector enabling more informed policy decisions.

Tourism Skills: Skill training was not a major part of the Tourism component's original design, but it became clear early on that in order to be competitive, new ideas, new trends and new ways of doing business needed to be integrated into the sector. In response to demand from the industry, MATEP conducted many training activities. One, was a practical "hands-on" Customer Service training course covering the basics of hospitality operations which was offered to 1,344 participants. To ensure sustainability, MATEP trained local consultants for roll out of the training and HCAZ is continuing some of these courses on its own. MATEP also addressed the issue of skills upgrading at the Hotel and Tourism Training Institute (HTTI) by introducing short intensive sessions for HTTI faculty and students conducted by visiting international tourism professionals.

Finance: MATEP's objective with respect to finance was to work with the formal sector and exporting enterprises in Zambia to introduce ways of working together in order to increase the flow of financing to exporting and tourism enterprises. With a $2 million MATEP Investment Fund managed by ZATAC, a local subcontractor, companies with bankable financing proposals but unable to obtain formal sector financing received loans and developed credit track records. Investment Funds loans were at commercial rates and collateralized.

Since inception, the MATEP Investment Fund, has disbursed $3,353,642 in short-term and medium term facilities to export oriented agribusinesses and tourism businesses. Forty-four (44) loans have been disbursed servicing the following 17 sub-sectors: canned horticultural produce, processed beef, bio-coal, handicrafts, horticulture (cucumbers), honey, wet blue leather, molasses, groundnuts, organic cotton, paprika, poultry, seed, soy cake, textile/garments, tourism lodging, and trade shows. At project completion, the value of the MATEP Investment Fund has been grown by over US$620,863, net of loan losses, through interest earned on the loans disbursed.

HIV/AIDS: The devastating effect that HIV/AIDS is having on sub-Saharan African countries has forced many organizations to face growing problems in maintaining a healthy workforce. The Zambian private sector is no exception to these effects and has suffered losses of skilled man power, reduced man hours, reduced productivity and high cost of staff maintenance.

With funding from PEPFAR, MATEP developed an HIV/AIDS prevention program targeted at private sector exporting clients in the agricultural and natural resource sectors. The program encouraged businesses to view HIV/AIDS services for their workers as a core part of their business, rather than a social service tangential to their interests. MATEP's HIV/AIDS activities were implemented in collaboration with six major local implementing partners: Zambia Export Growers' Association (ZEGA) in year one and two, Hotel and Catering Association of Zambia (HCAZ) in year three, Zambia Chamber of Small and Medium Associations ZCSMBA) in year four and five, Central Statistical Office (CSO), Ministry of Labour and Social Security and MSU Food Security Research Project.

MATEP's HIV/AIDS prevention activities addressed four principal areas: Sensitization regarding the risks posed by HIV/AIDS, Training of HIV/AIDS Awareness Educators, Dissemination of HIV/AIDS prevention messages and literature, and Workplace program design and implementation. MATEP in the last five years has implemented HIV/AIDS prevention activities in all of Zambia's nine provinces and has implemented intensive program in 12 districts in Eastern, Southern and Central Provinces.

Since inception, MATEP has training 58 Trainers of Trainers in HIV/AIDS prevention and 6,259 HIV/AIDS Awareness Educators. Roll-out MATEP's 2010 HIV/AIDS prevention program is will continue in the months after project closedown by MATEP's partners reaching a total number of over 436,000 individuals directly with HIV/AIDS prevention messages. A further 700,000 individuals will received HIV/AIDS prevention messages from these direct messages recipients. By the end of the program a total of over 1.1 million individuals will have been reached by MATEP.

Success factors: A number of factors have contributed to MATEP's success. Most important is the flexibility MATEP exercised during project implementation; flexibility which is not commonly afforded in development projects. As the MATEP project progressed, it became clear that some value chains originally selected for the project now had only mediocre prospects for growth. Conditions had changed within Zambia and within the region since project design. Flexibility enabled MATEP to focus instead on new opportunities which had developed. The same flexibility allowed MATEP to focus on markets, on policies, on firms and on partners which had the most potential for change during the project. Flexibility also permitted MATEP to greatly stretch the project's budget. By using local and regional experts, where appropriate, instead of expatriates as per the budget, MATEP freed up considerable funds in salaries, travel and per diems. Those funds were converted into more level of effort and ODC spending for the project.

MATEP's three strategic focuses; on SMEs, on value addition and on entrepreneurs also were important factors in the project's success as was described earlier in this section. And MATEP was implemented by project staff sincerely committed to the goals of the project and development of Zambia. Finally,

recognition must go to MATEP's clients as well. It was the companies themselves who repeatedly put their time and resources on the line in order to attempt exporting from Zambia.

Challenges: Zambia's principal challenges in expanding exports are the difficulty in maintaining competitiveness for Zambian products and the country's weak entrepreneurial and business management culture. Throughout the project, MATEP struggled with the poor competitive position of Zambian products when trying to seal export deals. The fact of the matter is that the costs of production are quite high in Zambia relative to other countries in the region. To these high costs are added very high transport costs. These two factors together make it very difficult for Zambian export products to compete in foreign markets. Being competitive in European and American markets is even harder for Zambian products. Not only are transport costs that much higher, but meeting Western packaging and quality standards is extremely difficult and expensive from Zambia.

Zambian firms also struggle with many of the common "doing business" obstacles found in Africa. Most salient among these in Zambia are onerous licensing requirements, restrictive labor legislation and a slow legal system that is sometimes open to external interventions as well. The MATEP office itself struggled with regular power outages – both from load shedding and recurrent faults - throughout the project. The amount of time it takes paying standard taxes and fees, such as PAYE payments at ZRA, is another frustrating and costly obstacle to business.

Earlier MATEP reports cited the exchange rate as a major challenge to maintaining competitiveness. Zambia's kwacha appreciated 40% in the course of MATEP's first year of operations. The currency retreated somewhat in 2007, but then strengthened considerably again in 2008. The strong kwacha severely hurt exporters and tourism operators who see their revenue, being forex denominated, fall sharply, while their costs remained largely unchanged. Note that the strong kwacha affects MATEP's budget too, which was developed based on a stronger 2005 exchange rate and then faced considerably higher costs in U.S. dollar terms. The kwacha weakened again in 2009, a relief to exporters, but variability and uncertainly in the exchange is a hindrance to all Zambian businesses.

Zambia's weak entrepreneurship culture and business management skills are as important as poor competitiveness in holding back exports and growth. Whether the cause is due to Zambia's socialistic past, its paternalistic present or rote training in universities for the future, the fact is that most businesses are poorly equipped for taking advantage of market opportunities. Rather than trying to expand and grow, many businesses are content to meet their costs and get by. When provided an opportunity, owners often let it pass if it requires some degree of risk, investment, and/or management time. This would not happen if Zambia had a stronger entrepreneurial culture. Good business managers would pursue opportunities as they arise, but management skills are also weak. MATEP often observed managers unable to see all aspects of their businesses and unable to implement a business strategy. Though entrepreneurial culture is difficult to develop, management skills can be taught and hopefully receive attention in the future

Future opportunities: Prospects for Zambian exports are still strong, especially in the southern Africa region. Based on MATEP's experiences, markets in DRC and South Africa should be given particular attention. MATEP interventions let to rapid export growth during the years of the project and growth can continue in the future as well. Zimbabwe could also be a growth market as economic and political conditions improve there. Markets in Botwana and Nambia are small, but still offer some opportunities for Zambian exporters. Markets in Europe, North America and Asia will continue to be difficult to access in significant volume for most Zambian exporters. The challenges of price competitiveness and quality standards will be too high to overcome. Nevertheless, firms should continue to pursue the specialty market niches that were a focus for the MATEP project.

This report is divided into seven sections. After this Introduction are sections on each of the MATEP components: Market Access, Trade and Enabling Policy, Tourism, Finance and HIV/AIDS. MATEP's Performance Monitoring Plan and a list of project reports and documents and MATEP Success Stories can be found as annexes to the report. For further details on any project activities, please refer to Annual Reports and Quarterly Reports prepared during project implementation.

MARKET ACCESS COMPONENT

The objective of the Market Access component was to increase exports. Focusing on private enterprise in the agriculture and natural resource sectors, the Market Access component worked with businesses and other strategic partners providing support critical to making successful and sustainable export linkages.

The Market Access component focused on two key areas, or subcomponents: Market Development and Client Services. Within each subcomponent, there were again two key focus areas. For Market Development these were focuses on Regional Trade and on Value Chains. For Client services these were focuses on Linkages and on Enterprise Development.

Market Development – Regional Trade: Whilst market opportunities in the U.S. and Europe were actively pursued, it became apparent during the course of the project that the Southern African region provided the best export opportunity for the bulk of Zambian businesses and hence Regional Trade became a major focus of the project. High transport costs, greater international competition and much more stringent grades and standards for the U.S. and European markets were the main reasons for this. With time, over 80% of MATEP's export promotion activities focused on countries in the region, mainly: Democratic Republic of Congo (DRC), South Africa, Botswana, Namibia and in the last couple of years. Some key opportunities did arise for supply into Europe (especially for honey and groundnuts) and the U.S. (specialty foods and hand crafted products) and these were also pursued. It must be pointed out, however, that whilst the regional markets provided the best opportunities for market access in the near term, the more developed markets had a much greater growth potential vis-à-vis volumes and scope for value addition. Regional markets will serve as a stepping stone to these larger markets for Zambian exporters.

Market Development – Value Chains: Eight value chains had been identified and prioritized for attention in MATEP's original project design. These were: horticulture/floriculture, coffee, livestock, cotton, honey, paprika, maize and cassava. During implementation, however, project staff identified new opportunities in additional value chains and they were added to MATEP's Workplan. New value chains included: seeds, groundnuts, dry beans, handicrafts, chili and wood products. At the same time, maize and cassava were dropped; maize due to an export ban imposed by the authorities and cassava because years of domestic value chain development work would have to precede significant exports. USAID afforded MATEP the flexibility to add and drop value chains in response to these changing opportunities. Zambia being a small country in terms of exports, MATEP was able to get to know all the significant stakeholders operating in these value chains. Working with the producers, processors, traders, policy makers and buyers we identified key constraints in each value chain in order to focus project resources interventions.

Client Services - Market Linkages: MATEP worked intensively with individual clients to link them in with export markets. The most common activities in this subcomponent were in organizing participation in trade shows and in organizing inward buyer missions. Trade shows were the focus for businesses that had market ready products and that were sufficiently established to execute export orders they might obtain at the shows. Trade shows were always preceded with targeted work with the exhibiting client and efforts to pre-arranged business-to-business meetings that enabled one-on-one discussions. Inward buyer missions were organized where reputable buyers were identified seeking specific products that MATEP felt could be sourced in Zambia. Prior to such missions, MATEP worked with prospective exporting firms helping them make the best possible impression on the buyers, and the buyers were shepherded around town to make visit to Zambia as easy as possible.

Client Services - Enterprise Support: Enterprise support was a key area that focused on building the capacity clients to meet specific market demands. These market demands included: product development, processing techniques, packaging, quality standards, food safety and market entry requirements, business management and access to finance,

Successes, Results and Impacts in Key Focus Areas

One measure of MATEP's success is the increase the value of export from $405 million to $883 million during the life of the project (against a target of $600 million). More meaningful to MATEP staff during project implementation was to see the "light go on" in the eyes of small scale farmers when they realize, in selling groundnuts for example, that they should focus on what the market wants and competing for the market's attention rather than just selling this year's groundnut crop. Or, in another example, seeing how a group of rural women responded to MATEP's encouragement to view market development as a business investment. Three years later their exports have grown 300%.

Presented below are some of the successes, results and key impacts of market access activities in the key focus areas. More detailed descriptions are provided in the "Success Stories" write-ups in this report and in earlier MATEP Annual and Quarterly reports.

Market Development – Regional Trade

Seeds, tinned foods, honey, commodities (groundnuts and dry beans) and fresh baby vegetables have been the most successful products from MATEP clients into neighboring countries. There are many challenges that face Zambian exporters in the region, but there is also much scope for sustainable, profitable business. The biggest considerations in regional trade are: price competitiveness, perceptions that supply from Zambia is poor quality or not reliable, dominance of existing South African companies, transport logistics and import regulations and formalities.

MATEP has devoted a significant amount of time and resources to helping Zambian firms "break into" country markets in the Southern African region. From the start it was clear that there was no "one size fits all" strategy. In some countries direct sales to buyers are possible (Botswana) while in other a domestic marketing/distribution agent is key (Namibia). In Angola, transport logistics makes supplies from Zambia difficult and expensive. Often in the region, it seems impossible breaking through existing supply relationships with big South African businesses.

The Democratic Republic of Congo, especially Katanga Province neighboring Zambia, has received considerable attention from MATEP. DRC is a large and growing market for Zambian products, in both formal and informal markets. DRC and Zambia share a long border offering opportunity for significant informal trade. DRC's history of civil war and conflict have left its industry and agriculture highly undeveloped. In the recent past, cessation in civil disturbances (outside of the Eastern region) led to significant direct investment targeted at the country's vast mineral resources. DRC now represents a significant market for food, agriculture inputs and mining related supplies from Zambia.

However Zambians face major challenges in accessing the DRC market, including language, corruption and an unstructured financial system that complicates payments for goods exported. MATEP pursued various avenues to improve market access for products from Zambia to the DRC, including trade missions, market studies and surveys, buyer/seller missions and support to register Zambian businesses in the DRC. The Zambia Seed Company, Zamseed, is an example of companies which have benefited form MATEP assistance. Zamseed had never explored the export market prior to participating in a trade mission to DRC in 2005, co-organized by MATEP. Zamseed saw considerable opportunities for exports and requested MATEP assistance in attacking the DRC market. Efforts led to a Product Launch of Zamseed products in Lubumbashi in 2006 which resulted in

exports to the DRC of over 270mt of seed worth US$270,000 in FY07. This figure represented 10% of Zamseed's turnover for the year and 90% of their export sales. With MATEP support, Zamseed established other market linkages in DRC and they now are the leading Zambian supplier of seed to UN agencies based in Lubumbashi. Zamseed also made considerable inroads in providing commercial seed to the DRC government and large mining operations for their commercial farming operations in the country. MATEP research on practicalities and modalities for opening branch outlets in DRC and a MATEP organized trip of Zambian CEOs resulted in Zamseed establishing a Lubumbashi office.

As mentioned earlier, the U.S. is not a region of primary focus, however an exciting opportunity arose from MATEP's work with a Zambian company exporting chili products to the U.S. Earlier in the project MATEP had helped African Spices in exporting chili mash to McIlhenney & Co, makers of Tabasco Sauce, as well exporting African Spices' own chili sauces to the U.S. Through this we got to know Talier Trading, a distributor of specialty foods with offices in the U.S. and France. Talier was interesting in identifying new exporters Talier could incorporate into its "African Set" of products promoted at supermarkets throughout the U.S. (including Whole Foods, Winn Dixie, Krogers, Safeway, A&P, Shaws and Food Emporium). Working with the Southern Africa Trade Hub,

MATEP developed a program of visits to Zambian firms for Talier's CEO in late 2008 to identify potential products and suppliers. MATEP also facilitated meetings with government agencies like Zambia Development Agency (ZDA) and the Citizens Economic Empowerment Commission (CEEC) as well as to food testing laboratories. In a report after returning to the US, CEO Jim Thaller stated,

> *"One word sums up my visit to Zambia...potential. I've seen few countries in Africa as ready to brand themselves in the specialty food market as Zambia. Sylvia's, Peco, Freshpikt, Mpongwe Organics, Luano Honey, Forest Fruits and others all have tremendous products near export readiness. From the government side, I was happy to see such a willingness on behalf of MATEP, ZDA, CEEC and the Agri-business Forum to help these Zambian companies achieve international exposure.""*

Following this initial visit, MATEP worked with a select number of firms helping to develop their products, packaging, pricing, labeling, FDA registration and lab testing with the objective of eventual stocking on U.S. store shelves. During this time the number of products and firms was pared down to those with the greatest commitment and potential. A second visit by Talier Trading in August of 2009 moved the final products closer to export readiness and one product, Freshpikt cherry peppers, expected to be ready for export within 2010.

Market Development – Value Chains

MATEP's work in value chain development was market driven – based on clear demand – and collaborative - working with all stakeholders in the chain. MATEP maintained a constant and open dialogue between all stakeholders in the value chain, from producers, to traders, to processors, to exporters, to buyers, agents and distributors. The dialogue served to identify constraints that stakeholders were encountering on a daily basis and to the potential opportunities for growth. As much as possible, buyers were closely involved in addressing the supply side constraints, so that the solutions being developed were relevant and key to market access. MATEP ensured that buyers not only spoke with producers, but actually visited production sites to understand the environments in which producers are working. Similarly where possible, producers or their representatives visited processing sites of buyers.

The following summaries of MATEP work in the honey, groundnut and white bean value chains demonstrate the type of involvement MATEP had in value chain development.

Honey

Three developments characterize the nature and scope of our success in the honey value chain: a coordinated, consultative Honey Platform for Zambia's honey industry; retail packing of honey and easier entry into South Africa of Zambian honey.

The Honey Platform is an informal dialogue and consultative platform, established with MATEP assistance, to enhance the competitiveness of Zambia's apiculture industry. The honey sector had been characterized by poor sector organization and lack of inter-stakeholder communication. It needed a suitable platform for dialogue and effective national and international networking. Working with SNV and the Zambia Honey Council, MATEP led efforts to develop the Honey Platform which now meets annually and has begun regional platforms as well. MATEP funded and provided technical assistance to hosting of national and regional Honey Platform meetings, where work plans and budgets for growth in the industry were developed. As a result of this new platform, a more collaborative approach in policy development, value addition and market access exists between private sector processors, honey producer organizations, government and the donor community. One of the key deliverables of this platform was the development of a strategic investment proposal for the development of the honey industry in Zambia. The three-year proposal was finalized in 2009 and funded by the Norwegian Embassy. In 2010, a revolving innovation fund of US$ 250,000 was launched providing finance for businesses and organizations involved in the honey industry.

With the support and leadership of MATEP, the Zambian honey industry has greatly increased capacity for marketing retail packaged honey products. MATEP conducted a honey-buyer survey in 2008 which resulted in detailed information on major honey buyers, quality specifications and volumes demanded in Europe and South Africa. Retail honey suppliers were prominent in MATEP-supported trade shows in throughout the region. Tenn new retail packaged products have been developed by MATEP clients as a result of MATEP support. These products, including the first glass packaged honey in Zambia, are high quality and competitive in international markets. Two of Zambia's leading honey producers are included in the export section of the internet website portal and the Export Products Catalogue that MATEP developed in collaboration with ZDA.

Access into South Africa for Zambian honey is illegal without irradiation because South Africa claims that Zambia is infested with American Foul Brood (AFB) disease. This has meant that natural forest honey from Zambia, which is of a higher quality than the South African blended honey, cannot have direct or wholesale retail shelf access. Retailed packaged honey would be compromised during the irradiation process and repackaging (as well as the cost of irradiation) only makes the Zambian honey more costly. Further, after irradiation organically certified honey can no longer be labeled as organic. MATEP organized a task force to look into the South African irradiation requirement and funded several interventions. The South African Department of Agriculture required extensive scientific surveys be conducted in order to waive irradiation requirements. Both showed Zambia was free of AFB, providing the industry and government scientific evidence to formally request South Africa to lift the irradiation requirement for Zambian honey.

Groundnuts

In 2007, Tiger Brands Foods, Africa's largest food processing company, approached MATEP to seek assistance in identifying suppliers of groundnuts. MATEP had worked with Tiger Brands earlier exploring exports of Zambian vegetables to South Africa. Tiger Brands Foods own the Black Cat peanut butter brand, one of the most popular peanut butter brands in Southern Africa. With South

Africa importing an average of 14,000mt of groundnuts annually (a figure expected to grow sharply); a gradual easing of trade transactions within SADC; and "Black Empowerment" pressure to import more products from Africa; the value chain offered exciting opportunities for Zambian agriculture.

MATEP began the process of understanding the groundnut value chain including local supply issues, world market demand, grades and standards and competition in the international market. MATEP activities included:

- A study to determine current local supply capacity and as well as capacity to expand supply.
- Three market studies, two to look at regional and European demand and one to look at local demand of groundnuts and other value added products such as peanut butter and groundnut meal.
- An inward buyer's mission from various South African buyers including Tiger Brands Foods,
- An outward mission of groundnut producers and processors to visit various groundnut growers, processors and quality assurers in South Africa.
- Two training courses: one on quality control in partnership with the Perishable Plants Export Control Board (PPECB) of South Africa, and on production, supply and market access in partnership with the Zambia Agriculture Research Institute (ZARI).

It became evident that the major deterrent to accessing regional and international groundnut markets was food safety, particularly aflatoxin levels in groundnuts. Preferred varieties, volumes, consistency of supply and pricing were the other critical challenges. Appreciating that the neighboring countries of Malawi and Mozambique were also struggling to grow their groundnut value chains, MATEP convened a regional groundnut meeting to address common challenges and develop a common strategy for market access.

The regional groundnut meeting was held in May 2009 in Chipata, followed immediately by a Zambia groundnut industry meeting also held in Chipata. The main objective of the regional meeting was to formulate an action plan to improve the competitiveness of the regional groundnut value chain on the international market. Over 58 participants from the UK, South Africa, Malawi, Mozambique and Zambia attended. Participants represented seed producers, researchers, out-growers, traders, farmer groups, processing plant engineers and government officials, as well as international buyers. MATEP facilitated participation by experts who made presentations on international groundnut trends, market access, quality assurance, food safety, processing, value addition and crop production.

A key result from the meeting was formation of a task force to coordinate joint production and supply of 10,000mt of groundnut into Europe in 2012 and the decision to form a national industry apex organization. With ongoing MATEP support, a UK based groundnut expert has been helping with identifying and acquiring seed varieties that are preferred in the European market. The expert has also been working with processors in Malawi, Mozambique and Zambia to establish a common marketing platform (MaMoZa) for groundnut exports into Europe. MATEP also played a key role, providing co-financing and technical support, for formation of the Groundnut Industry Association of Zambia (GIAZ).

Other support that MATEP provided to development of this value chain included: technical support for developing business plans for various private sector businesses leading to a total of US$1 million being raised for the industry; and coordination of a common platform to coordinate production, processing, bulking, quality assurance and marketing of the 2010 groundnut crop. Participants in the common platform are IDE, World Vision International; Programme Against Malnutrition, the Eastern Province Farmers Cooperative Limited and Kasisi Agricultural Training Centre.

White Canning beans

MATEP's market research and discussions with Tiger Brands concerning groundnuts also revealed attractive opportunities for bean exports from Zambia. The market for canned baked beans in South Africa and the region is large and rapidly growing, creating a large and growing market for dried white canning beans. At the same time, Zambia is known for the volume and quality of its dry bean production. The potential value of this value chain for Zambia could reach $40 million in the medium term.

MATEP began by collecting samples of the existing white bean varieties available in Zambia and shipping them to Tiger Brands in order to conduct tests on suitability for canning. Tiger Brands is the largest processor of beans in the region with the Koo and All Gold brands. Unfortunately, these tests revealed that none of the bean varieties currently "released" and available in Zambia were appropriate for canning. But with Zambia's growing conditions so suitable for beans and the market readily available, MATEP started exploring introducing the appropriate Navy or Michigan bean to the country.

MATEP identified four white bean varieties that are preferred by the bean processing industry: OPSKW1, Teebus RR, Minerva and PAN 185. Later, Jade, a Zimbabwean variety was added to the list. In partnership with the Ministry of Agriculture, (specifically the Zambia Agriculture Research Institute – ZARI and the Seed Certification and Control Institute – SCCI), the process of seed trials commenced. We started with off-season trials on a commercial farm in Chirundu, followed by rain- fed trials in all the agro-ecological zones of Zambia. After Year 1 trials in 2008, OPSKW1, Teebus RR and Minerva were pre-released[1] into the custody of MATEP in order to conduct further trials. Following these Year 2 trials, OPSKW1 was fully released in 2009, now known in Zambia as the "Lwangeni" bean variety. Lwangeni was released into the custody of ZARI to ensure that the variety would remain open and accessible to producers.

While the Year 2 field trials were going on and in anticipation of subsequent release of the variety, MATEP worked with Government agencies, the private sector, farmer organizations and other NGOs to multiply commercial quantities of bean seed and to see how Zambian producers could successfully market the beans. This enabled sufficient seed to be produced to form the foundation for an extended seed multiplication program. It also enabled e development of a quality assurance system for the supply chain, including identification and verification of bulking sites and standards for grading, sorting, packaging and storing the crop. With MATEP facilitation, markets have been identified for the entire 220-250mt of commercial crop that is likely to be harvested and supplied for this year.

Client Services - Market Linkages:

Trade Shows were utilized by MATEP both for directly linking clients to markets and for general market development in regional trade. As a first step, MATEP assessed the prospects for Zambian exporters of participating in the various trade shows held throughout the region and then decided to focus principally on shows for the South African and DRC markets. Of these shows, the Africa's Big Seven (AB7) show in South Africa scored the biggest successes. The AB7 show is Africa's largest food-related show and attracts exhibitors and show goers from around the world. It is actually an amalgam of seven different shows in various food subsectors and has recently also merged with the Southern African International Trade Exhibition. AB7's major distinction is that more than 70% of

[1] Pre-release is a stage before full release and allows the "promoter" of the seed variety, to extend trials, multiply limited amounts of seed locally, and most importantly, test the value chain

the show goers are senior executives, company scouts, buyers, etc., executives holding authority to actually make procurement decisions. This means that for companies that are ready to respond to export enquiries (i.e. have a market ready product, price information, volumes, shipping information and capacity, correct packaging, etc.), it is a prime opportunity for establishing concrete export orders.

MATEP organized Zambian exporters' participation in AB7 for three consecutive years, garnering several awards during that time including a "Best Stand" award for MATEP's Zambia Stand. MATEP organizers were asked to feature on South African television speaking on how a developing nation can use trade shows to boost its international profile.

MATEP brought a mix of exporting companies to AB7 each year. Some clients, such as Freshpikt Limited and Forest Fruits, had export-ready products, operation that were highly credible in the view of buyers and committed real resources to making their participation a success. Such companies came away from AB7 with significant deals and export orders. Some clients, such as Capital Fisheries and Savanna Beef, had export-ready products and operations but were as yet not fully convinced that launching boldly into export markets was for them. Capital Fisheries has since become a serious exporter of their products. And, some clients thought they were ready and were enthusiastic to participate, but needed the "reality check" of attending an AB7 to understand the importance of initial capacity-development steps being recommended by MATEP. In the end, AB7 was successful for Zambian exporters because of the many months of preparation MATEP put into the show and because AB7 is tailored for participants ready to make deals. MATEP's organizing of a national "Zambia Stand" raised the profile and a professionalism for Zambian participants that otherwise would not have been possible.

MATEP achieved considerable success at the Copperbelt Agriculture, Mining and Commercial Services Show, too. Though a domestic show, there is significant attendance from the DRC mining sector, affording an excellent opportunity for both international and domestic marketing. It is also an easier environment than Lubumbashi for Zambian exporters to engage DRC buyers. As a result of attending the Copperbelt show a number of MATEP clients increased sales, opened Copperbelt outlets and established distributorship agreements in the region. In our two years of participation in the Copperbelt show, the MATEP stand won six different prizes in several award categories.

In contrast to AB7 and the Copperbelt shows, exhibitions in Namibia and DRC were not as impactful. In the case of Namibia, shows are not widely attended. Further, it proved difficult to break through South African supply relationships to Namibian buyers on the basis of show displays. In the case of DRC, the market is so unstructured and informal that virtually no pre-exhibition survey provides the amount of information that allows for tailor made linkages during the show. Further, very few DRC-based companies send decision-level staff to these shows. The result in both Namibia and DRC is that the exhibitions spend considerable time and resources on participation and displays that yield little return in terms of export deals.

An exhibition of a completely different genre where MATEP clients scored significant success was the Santa Fe International Crafts Market, a highly competitive, invitation only, international market. MATEP assisted several women's community crafts groups – Hipego, Kasholwasholwa and Kasonde - to attend the Santa Fe show three consecutive times, each time resulting in a large volume of sales and invitations to come back the following year. Repeat participating in the show has also led to larger supply contracts, too, something that generally occurs only after regular attendance at the show demonstrating consistent quality and product uniformity.

Client Services - Enterprise Support:

MATEP worked with over 150 individual enterprises in order to build their capacity to meet specific export opportunities. The enterprises ranged from micro to medium in scale. Some firms had just several employees. Others employed hundreds. Most were in the range of 5 – 50. Assistance, in all cases, was targeted on constraints preventing firms from completing the export transaction on their own. Most often, assistance was with respect to marketing, though many firms were helped with product development, processing techniques, packaging, quality standards, food safety and market entry requirements, business management and access to finance. MATEP's enterprise development activities were successful because they were tailor made to each enterprise and provided only when there was clear need and demand on the part of the entrepreneur.

MATEP clients have made some remarkable transformations:

- The Eastern Province Farmers Cooperative Ltd is fast becoming one of the best organized groundnut and bean farmer groups in the Eastern Province. With MATEP technical and financial support they have developed strong market linkages with buyers in South Africa and the UK and have very real prospects becoming major suppliers into the European market. Assisted by MATEP, EPFC Ltd developed a strategic plan and successfully accessed funding from the MATEP Investment Fund and from a World Bank fund managed by Africare.

- African Joy has almost tripled the size of its operations and has progressed from having complete fear of commercial loans for business expansion to now completing their third successful loan. Established and owned by Joyce Mibenge, African Joy is a tailoring company that specializes in soft furnishings with African designs. When she approached MATEP seeking options for growing her business, the export market was an obvious. Expansion would require additional capital, but loans from local commercial banks have proven impossible to obtain. With MATEP support, a marketing strategy and financing proposal were developed for African Joy which led to a successful application for a commercial loan from MATEP's Investment Fund. MATEP also supported marketing trips and development of marketing tools such as a hard copy and on-line product catalogues. Since starting to work with MATEP, African Joy has tripled the size of its operations, improved its equipment and emerged from a complete fear for commercial loans for business expansion to successfully obtaining and repaying multiple loans. African Joy has exported to Namibia, Botswana, Canada, Italy and South Africa and is receiving large export orders which the company is now able to supply.

- Mukwa Creations has moved from being a non-descript business working out of a car garage in Kitwe to selling product in the U.S., Zimbabwe and South Africa as well as Zambia. Mukwa has purchased important machinery for operations, improved product selection, found new suppliers of inputs, and s recently secured a large supply contract with one of Zambia's largest mobile phone services provider, MTN.

- Chimwemwe Lodge, a woman-owned business in a semi-rural area of Zambia, has become the largest and most up-market lodge in the District in the course of three years with the assistance of business advice from MATEP and Investment Fund financing.

- Gymo Enterprises, another woman-owned business, was operating at a very small scale when we first met and is now supplying markets in Angola and Botswana. At the time of this report she was negotiating sizable supply contracts into the DRC.

More details of MATEP's work with individual enterprises can be found in the Success Stories following this section and in the report Annex.

Key Activities and Lessons Learned

The following table summarizes some of the Market Access component's key activities, lessons learned and presents recommendations for future interventions vis-à-vis the activities.

Market Development – Regional Trade
Activity: Market Access Surveys • Market access urveys and studies included generating and verifying information on product demand, price, major buyers, market entry requirements, tariffs, marketing strategies and other issues related to the competitiveness of MATEP client products in these markets. Studies were carried out in the DRC, Namibia, Angola, Botswana and South Africa.
Lessons Learned: • Studies and surveys responding to specific client requests for market intelligence and market linkage were more relevant than generic surveys. • Whilst generic market information was fairly easy to get and corroborate, specific market intelligence proved more elusive. Yet it is the specific market intelligence that was most relevant to MATEP clients. • Local institutions or businesses more readily shared market intelligence with locally-hired consultants, or at least consultants with local references, than with outsiders. As much as possible, MATEP used local or locally known and well connected consultants when obtaining market intelligence, especially with reference to industry projections and pricing. • Market surveys often revealed information that needed to be followed up with an industry-wide forum or meeting, rather than just circulating information to the industry. For example with management of aflatoxin in groundnuts or the need to establish distributorships rather than direct marketing in some markets. • Each country has unique characteristics that a market entry strategy must address. In the DRC, establishment of a physical office and a border ware house on the Zambian border would be key to success. In Namibia and Zimbabwe, a more effective tool would be to establish relationships with an agent or local distributor. • In Zimbabwe, Namibia and South Africa, there is need to deal with the perceptions of poor quality and unreliable supply that buyers and maybe consumers associate with Zambian goods.
Recommended / Possible Future Interventions: • Conduct a series of market entry business discussions for the many companies do not fully comprehend or know how to interpret and use information contained in available market access reports. • Develop a programme to identify food products with high sales potential in regional (and other) markets and address any quality concerns.

- Provide assistance to increase the number of businesses that attain international food safety and management systems certifications and then strategically provide information of quality assurance systems to the targeted markets to develop confidence in Zambian systems and therefore products.

- For the DRC, conduct a review of the operations of the warehouse at Kasumbalesa to see how its operations can be improved to accommodate a wider range of Zambian products.

- Conduct a study to determine new possibilities for transporting goods more cheaply into Malawi, Mozambique and South Africa using the Nacala Corridor via the recently completed Mchinji railway line in Chipata.

Activity: High level outward missions

- CEO outward market access missions were conducted to increase the possibility of successful deals.

Lessons Learned:

- Most CEOs or company decision makers in target markets will make time available to meet a similar ranked person from Zambia. This cuts through significant red tape, speeds up discussions and makes follow up on supply opportunities much easier.

- CEO missions with groups of Zambian CEOs proved a good way to encourage companies to adopt common strategies when looking at market entry / expansion strategies in the same market. Such approaches cut costs and therefore risk.

Recommended / Possible Future Interventions:

- Establish a market specific forum for specific objectives, e.g. on accessing the DRC market. At this level, market access issues could be discussed, entry strategies developed trade missions organised, etc. This would also put the private sector in the leadership of these market development activities.

Activity: Improve marketing capacity at International Exhibitions

- Establish common pavilions or national stands that provide a greater market impact.

- Provide STTA to companies attending shows.

Lessons Learned:

- Companies and governments from richer nations spend considerable more on international marketing than the do Zambian companies and government. This results in comparatively unimpressive exhibitions and presentations at by developing country participants at international forums.

- Ensure that market linkages activities, and where possible one-on-one business meetings, are an integral part of exhibition attendance. A local consultant or consulting firm in the target market is

usually best placed to provide such STTA for exhibitors. Discourage Zambian companies from attending trade shows without organizing such activities in advance.

- Mixing products that have attained international standards and those that have not is not advisable, it sends mixed signals to buyers.

- Not all exhibitions or shows are relevant for new business development. Some focus only on spot sales and not long-term export contracts.

- Investigate trade shows in advance to determine whether decision makers from buying companies actually attend the trade show. In some markets, like DRC, decision makers do not always visit shows and exhibitions.

- Build up a reputation and consistency at specific targeted shows. Word gets out within the market and previous and future buyers will look out for your stand and products.

Recommended / Possible Future Interventions:

- Ongoing support is needed to Zambian companies through industry associations, etc. on what the expectations of international buyers are, including; what information they expect from suppliers at a show; how to brand themselves and how to displays product.

- Support ZDA to conduct an assessment of shows, exhibitions, etc. that should then be hosted on the ZDA website allowing companies to assess the suitability of the different international marketing opportunities.

- Work with ZDA and industry associations to develop a long term (5 year) plan for marketing of Zambian food and other products. The plan should target specific companies and products and work with them to improve their international marketing, product enhancement and capacity to supply markets.

Market Development – Value Chains

Activity: Strengthening value chain performance and competitiveness by establishing multi-stakeholder dialogue platforms

- Work included: support to the honey industry to establish a national and thereafter district dialogue platforms, establishing a task force to deal with bee diseases affecting market access of organic certified honey into South Africa and developing a common approach for structuring and developing the groundnut and the white canning bean industries.

Lessons learned:

- Value chain mapping is important to understand how products move to market, but probably more important are the mechanisms available to openly share information and address challenges within the chain. Multi-stakeholder forum are one such mechanism that MATEP found very productive.

- Critical value chain constraints and opportunities can usually be identified through stakeholder so that large, expensive value chain studies may not be necessary.

- Misinformation and mistrust within value chains will undermine growth. Multi-stakeholder forums proved an effective way to build relationships in value chains as well as to disseminate information and develop strategies for growth. Suspicion between public and private sectors and between small producers and traders were effectively diffused using such forums.

Recommended / Possible Future Interventions:

- Establish support Industry Associations and the Ministry of Agriculture and to provide long-term technical and financial support for the development of value chains.

Activity: Food safety and product quality

- Training in food safety standards, in international grades and standards and in marketing and competitiveness.

Lessons learned:

- Zambian businesses require significant ongoing and tailored support to improve food safety standards and the competitiveness of their products in international markets. Many companies fail to plan for international food safety standards and certifications. This is limiting their competitiveness in international markets, and also on the local market when external competitors who meet these standards compete on the local market.

- Zambian laboratories are not internationally certified and therefore the services they provide to local companies do not always have credibility in international markets.

- Institutions such as the Zambia Bureau of Standards need to play a statutory capacity building and standard setting role.

- Institutions such as the In-Service Training Trust (ISTT) and the Zambia Institute of Marketing (ZIM) need to develop short-courses to assist Zambian company executives improve the competitiveness of their products in international markets.

Recommended / Possible Future Interventions:

- Work with internationally accredited food safety organisations to develop programmes to improve food safety standards in Zambia.

- Design a programme with ISTT and ZIM to develop short courses regularly updated to account for dynamics in competiveness, on an ongoing basis.

Activity: Support to companies to improve competitiveness

- STTA for product development, improvements and pricing.

Lessons learned:

- Many Zambian companies do not properly cost their products, and are therefore unable to

effectively engage with potential buyers regarding price parameters. Technical support to businesses intending should focus on building in-house capacity to understand costing and pricing so as to effectively engage potential buyers.

- Detailed product information (ingredients, shelf life, bar coding etc) must be available. Further food analysis and shelf life test results should be available to clients.

Activity: Industry structuring

- Improving the competitiveness of industries by providing capacity building to Apex Industry Associations.

Lessons learned:

- Accountable, well resourced and competent industry associations will mitigate the costs of research and development, market development, marketing and advocacy. These services are critical to growth and competitiveness of industries.

- Zambian SMEs do not have the capacity to sufficiently resource Apex Industry Associations. Some value chains like groundnuts had no apex industry association, despite being a crop that affects the livelihoods of hundreds of thousands of small scale farmers. In the absence of such associations in the groundnut and white bean value chains, MATEP intervened to get activities exports.

Recommended / Possible Future Interventions:

- Work with the Ministries of Agriculture, Commerce, and Environment and Natural Resources to improve existing support to industry associations including formation of new associations on a long term basis. Initial focus can include; the bean, groundnut, honey, handicrafts, timber and wood products and aquaculture industries.

Client Services – Market Linkages and Enterprise Development

Activity: Increasing exports through business linkages

- Inward and outward buying missions.

- Linkages, samples and price lists to targeted buyers.

Lessons learned:

- An most effective way to reassure potential buyers of supply capacity of Zambian suppliers is through targeted buyer-seller missions. These missions allow a more tailored approach where factories, laboratories, farms etc can be visited, building confidence in both sides of the transaction.

- Targeted buyer-seller missions allow for more targeted technical assistance where interventions are specifically tailored for concluding sustainable export transactions.

- Zambian primary producers fail to understand how critical grades and standards are to local processors or aggregators and many times view these requirements as a ploy to pay farmers less. Understanding is helped by allowing producers to see the stringent entry requirements and level of competition in foreign markets.

- Buyers need targeted follow up on market prospects. MATEP helped exporters with shipping physical samples and price lists and identifying credible intermediaries giving reassurance to potential buyers, who are often wary of new suppliers.

Recommended / Possible Future Interventions:

- Work with Zambian missions abroad, ZDA and local industry associations to identify specific distributors and buyers in the region and provide market linkage support

Activity: Finance related support

- Assistance to firms in business proposal development and leveraging finances.

Lessons learned:

- Many MATEP clients did not have the capacity to develop credible business proposals and financial projections. Further, clients are not always aware of opportunities for cheaper commercial or development financing. MATEP facilitated proposals were submitted to various local, regional and international funds including: the MATEP Investment Fund, the World Bank/Africa MIIF, Small Enterprise Assistance Fund (SEAF), IFC, NORSAD, etc.

Recommended / Possible Future Interventions:

- Develop mechanism for support that allows businesses to identify, understand and access the various local and regional funding opportunities.

USAID FROM THE AMERICAN PEOPLE | MATEP MARKET ACCESS TRADE AND ENABLING POLICIES PROMOTING ZAMBIA'S EXPORTS

SUCCESS STORY

Zambia Stand at the Africa Big 7 Show

Exhibitors with the Award for Best Stand 2008

A view of the Zambia-MATEP Stand 2007

Marketing Zambian Coffee at the 2009 Show

MATEP worked closely with clients interested in accessing markets through trade show participation. For three consecutive years, MATEP organized a "Zambia Stand" at the Africa's Big Seven Exhibition in Johannesburg. This annual show, which is the largest food show on the continent, is in its seventh year of operation and attracts over 7,000 visitors from 239 countries exhibiting each year.

Zambian companies which have participated in the stands includie: Forest Fruits, Ubuchi, Mershaerles, Zambia Export Growers Association, Zamseed, Zambia Coffee Growers, Capital Fisheries, Savanna Beef, Yambeji Milling,and SNV – the Netherlands Development Organisation.

Some notable results from three years of participation are: an MOU for the annual supply of canned foods valued at US$6m signed with the Australian buyer (who will also start importing Zambian cherry peppers); Orders for peanut butter and groundnuts valued at US$612,000 over 12 months (with buyers visiting Zambia to discuss procurement of bulk peanut butter and potential business worth US$3m); and the MATEP – Zambia Stand winning the "Best Stand" Prize in 2008. In the words of the organizers;

> *"It just goes to show it is not about how much money you spend, but how you present yourselves; and that's what you and your delegation did!! The judges were very charmed with your exhibitors, the way they presented their goods, the fresh flowers, the friendliness and professionalism."*

Running parallel with the AB7 Show in 2008 was the African Agriculture Trade Promotion Conference during which MATEP made a 30min presentation promoting Zambian products and investment in the agricultural sector. MATEP used this opportunity to present various large scale projects from its clients that were seeking financing. In 2009 MATEP was requested to represent exhibitors from Africa on the Financial and Business Cable Network channel CNBC to talk about how developing nations can use such events competitively to increase their access into international markets.

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SUCCESS STORY

ZAMBIA'S ONLY CANNING FACTORY

Zambia's Republican President H.E. Rupiah Banda greets USAID Zambia Director Melissa Williams at the official launch of the Freshpikt Factory in March 2010

The Freshpikt Production Line above and products below

The canning factory was originally built in the 1980's, run inefficiently for several years, sold, stripped of machinery, then left abandoned and vandalized. New owners bought the plant, bringing experience and a focus on performance to the company. Assistance from MATEP helped the factory get underway by finishing renovations and purchasing crops for processing. This enabled Zambia to finally process and export its own fruits and vegetables. By the end of 2009 Freshpikt had grown its vegetable and fruit products to 26 product lines, from an initial 12, and was exporting US$1 million worth of product annually.

The factory was "launched" in 2006 and officially "commissioned" in March 2010 by Zambia's President H.E. Rupiah Banda. In his speech, the President made special mention of the critical role MATEP had played at a crucial time for Freshpikt. After exhausting their initial investment, the new owners found doors to further financing closed to them at the crucial time for finishing refurbishment and purchasing crops for processing. MATEP's assistance got the plant up and running. Zambia State Insurance Company then came in with additional financing.

Freshpikt gives Zambians the choice to buy high-quality Zambian canned goods when shopping and the goods are competing effectively against imported products on Zambian store shelves. Most important, though, is the effect Freshpikt is having on Zambian agriculture. Farmers, both small and large, have planted crops for the Freshpikt supply chain. By its second year in operation, Freshpikt was buying US$100,000 of produce per month from smallholder producers alone. Such quantities of agricultural purchases for processing are unprecedented for Zambia.

The factory created 20 new jobs at start, and currently employs over 150 with a projected growth to 500 employees over the next 5 years. But the big impact is at the farm level where thousands of farmers will find employment and higher incomes growing for Freshpikt.

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SUCCESS STORY

New White Canning Bean for Zambia

South African Bean Experts and Zambian Officials from SCCI at ground zero – the first test site

Small Scale growers fields in eastern Zambia

Baked Beans! Lwangeni is the preferred variety for the canned bean industry. The baked bean industry in southern Africa is the fastest growing food industry at 14% per year. Baked bean imports

In 2007 the largest food processor on the African continent approached MATEP looking for beans for canning as baked beans. Based on previous work with MATEP, Tiger Brands Foods of South Africa knew MATEP would follow up on market opportunities in the region. And the opportunity was large; bean purchases in South Africa were valued at US$20 million in 2007 and projected to grow to US$ 40 million within a decade. MATEP sent samples of all bean varieties available in Zambia to Tiger Brands, but all were rejected as inappropriate for their canning operations. Zambia produces 40,000mt of dry beans annually, but none met the market specifications. Zambia had the right climate, knowledge and experience in growing beans, a strong production base, but the wrong beans.

This began a two year MATEP effort to introduce a small white navy bean, the right bean for canning, to Zambia. The objective was to get the new bean seed variety "released" in Zambia and MATEP pursued this in collaboration with the National Seed Control and Certification Institute (SCCI), the Zambian Agricultural Research Institute (ZARI), seed growers, seed companies and bean canners. "Release" is the official stamp of approval from government that a seed is safe, after which it can be commercially multiplied and distributed. But getting a seed released in Zambia is not easy, and it is not fast.

MATEP met repeatedly with officials at all levels, brought in experimental seeds, organized growing trails with the seed institute, with the research institute, with small scale growers and with large growers. Trials were conducted in all agricultural zones of the country. The bean seed performed very well with vigorous growth, exceptional yields and good disease resistance and was rewarded with "pre-release" status in the custody of MATEP. We now began year two trials and started organizing for commercial seed multiplication.

In September 2009 the newly named "Lwangeni" bean variety was released, in record time. Commerical production has begun and the first export consignments sold. Zambia is poised to become a major supplier of beans to the region's canning industry.

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SUCCESS STORY

Zambian Seed Exports to Congo

"Our exports of seed grew 900% in one year, from US$23,500 to US$300,000; we would not have been able to achieve this without MATEP support to access the DRC market."

Packing seed at the Zamseed factory

Zamseed sells seed to USAID and the EU for supply to small farmers in the DRC.

Zamseed product launch in Lubumbashi - 2006

Zambia Seed Company Limited (Zamseed) is a former parastatal company that had invested heavily and successfully into research and development of new seed varieties. Its local sales grew significantly as it developed a strong local supply network, but the company had limited success in exports into the region and was selling nothing into neighboring Democratic Republic of Congo.

MATEP, having conducted market research in DRC and sponsored a trade show in Lubumbashi, saw enormous potential for seed sales to Congo. Supported by MATEP, Zamseed participated in a trade mission to the DRC and subsequently, in June 2006, undertook a major public event to launch their products in DRC. The launch included an exposition at the Chamber of Commerce where major farming interests were present along with international agriculture organizations and NGOs such as FAO and World Vision. Field visits to some of the largest commercial farmers were conducted, too.

A few months later, orders started trickling in, and by the end of September 2007, Zamseed had supplied 270mt of seed into the DRC earning US$300,000. This figure represents 10% of Zamseed total turnover and the DRC exports amount to 90% of total export sales). Most of the clients that attended the launch ended up as Zamseed clients. Zamseed is nurturing this market and these new clients, and visits Lubmbashi on a monthly basis to keep abreast with market demands. Despite a policy in the DRC to move to local procurement, Zamseed is still strengthening its link there and clinched an export order of 150mt worth US$ 202,000 in 2009. Says Zamseed Marketing Manager, Zack Musonda, "Correct linkages (to buyers) were critical, and MATEP did an excellent job in linking us to buyers in the DRC."

Due to their successful market access and the potential for business growth, Zamseed turned to MATEP in 2009 seeking guidance on how best to grow their new business in the DRC. Other MATEP clients wanted to expand in DRC too. After examining various expansion options, MATEP advised to setting up operational bases in Lubumbashi and provided guidelines and help for doing so. Zamseed has progress in establishing "Zamseed Lubumbashi" and is expected to launch in DRC by the end of 2010.

TRADE AND ENABLING POLICY COMPONENT

The Trade and Enabling Policy component objective is to work at domestic, regional, and international levels to improve the enabling environment for exports in order to raise Zambia's international competitiveness and attract foreign investment. MATEP's strategy is to collaborate and or partner with the private sector, government institutions and other stakeholders to influence policy or implement activities in areas that are inhibiting Zambian competitiveness and export growth. The focus is on identifying, removing or reducing constraints to exports including policies, regulations and procedures, administrative and technical barriers prevailing at national and regional levels. Project interventions are grouped into two main areas; the first dealing with the trade environment and the second dealing with value chain research in the agriculture sector.

TRADE ENVIRONMENT

Within the Trade Environment area MATEP had four subcomponents: Collaboration on trade policy; Reducing administrative costs and delays; Overcoming barriers to trade and Assistance in development of a small claims court.

Collaboration on Trade Policy: Forging partnerships with Zambian institutions is the most effective way of influencing change in policy. In this regard MATEP has worked throughout with the Private Sector Development (PSD) Program, a government and private sector initiative to address constraints to private sector led growth in the country. MATEP has worked principally through two PSD working groups, the Administrative Barriers Working Group (ABWG) and the Trade Expansion Working Group (TEWG). MATEP played a pivotal role in getting the TEWG started by providing Secretariat services and technical support to the working group. MATEP also worked with the Zambia Revenue Authority (ZRA) to undertake a cargo time releases study (TRS) for exports and imports crossing Zambia's borders

Overcoming Barriers to Trade: Activities covered two broad areas, namely; sanitary and phytosanitary (SPS) issues and bilateral agreements. With regard to SPS issues, MATEP worked with the private sector and MACO Plant Quarantine and Phytosanitary Services (PQPS) to address the constraint to Zambia's export of organic honey to South Africa. MATEP also worked with MACO-PQPS to have SPS information computerized, which once completed will make it possible for the private sector access to SPS information, application forms and possibly have certificate issuance via the internet. With regard to bilateral agreements, MATEP helped develop a Memorandum of Understanding (MOU) for trade between North Western Province in Zambia and Moxico Province in Angola..

Development of the Small Claims Court: MATEP worked with the Chairman of the Small Claims Court Committee set up by the Judiciary to mobilize resources for establishment of a SCC. This involved help in preparing an SCC proposal and budget, responding to queries and providing justifications for funding. MATEP then worked with the Chairman of the SCC to develop implementation plans and begin pilot activities.

Specific activities conducted in the area of trade environment included the following:

Collaboration on Trade Policy

- **Private Sector Development process:** MATEP worked closely with the Private Sector Development (PSD) Program, a program developed jointly by the government and the private sector to address constraints to private sector led growth in the country. Specifically, MATEP worked with Administrative Barriers Working Group (ABWG) and the Trade Expansion Working Group (TEWG)

providing technical advice to the two groups during the planning, implementation and monitoring of activities. MATEP played a pivotal roll in getting the TEWG started, providing Secretariat and technical support for conducting activities. MATEP's help in developing an Action Plan and budget helped TEWG secure funding from PSD.

- **Collaboration on grain trading:** MATEP worked very closely with MACO, ACF, ZNFU and the Grain Traders Association of Zambia on grain trading issues particularly maize marketing, following the export restriction imposed by government. The work highlighted negative impacts export restriction policies have on farmers, traders and the stability of Zambia's export trade in the region. GTAZ was particularly concerned that Zambia was losing out on current and future export orders and that stakeholder concerns are not being properly addressed by government.

- **Non-compliance of SPS regulations with imports on Nakonde-Kasumbalesa Corridor:** At the request of MACO, MATEP investigated compliance of traders with transit and SPS measures at along the transit corridor between Tanzania and DRC. The study which revealed shortcomings in SPS control measures for transit cargo and agriculture products shipped by rail.

- **Zambia Business Forum (ZBF):** MATEP provided technical assistance to ZBF in documenting business to business linkage information held in embassies and trade and development institutions. The database promotes private sector trade and investment between Zambian firms and those in other countries.

- **Hedging workshop:** Working with the Bank of Zambia, MATEP co-organized and co-funded a workshop on hedging in January 2006 aimed at sensitizing the private and public sector on the use of hedging instruments to mitigate the impact of sudden gains by the local currency. This followed the sharp local currency appreciation of about 40% destabilizing businesses, especially in the export sector.

- **Cross border traders warehousing:** With the SHEMP Project, MATEP helped the Cross Border Traders Association (CBTA) set up warehouses on the Kasumbulesa border between Zambia and DRC in order to facilitate exporting to DRC. As a result of the support, CBTA is now able to stock agricultural commodities at the border for Congolese traders to come and purchase. MATEP also assisted CBTA and SHEMP set up a cellphone-based price information system for commodities commonly traded across the DRC border.

- **Cargo time release study:** MATEP worked with the ZRA to design and secure funding from the Trade Hub and MCA to undertake a cargo time release study for Zambia. MATEP participated in undertaking the study in January 2007. One of the outcomes of the TRS was the Action Plan, with issues to be addressed in order to reduce the time and the cost of delays at border post.

Overcoming Barriers to Trade

SPS issues

- **Restriction of honey exports to South Africa:** MATEP worked on addressing the restriction that honey exports to South Africa must be irradiated against American Foulbrood (AFB), a honey bee disease, and also that the irradiation must occur at irradiation facilities located in South Africa. Irradiation not only negates the organic nature of Zambia's honey, but it turns honey black and also damages packaging materials precluding retail packing of honey in Zambia. MATEP helped design

and secure funding for a honey bee disease study in Zambia, assisted with conducting the study and worked to get results accepted and implemented by the South African authorities.

- **World Bank SPS assessment:** MATEP helped to organize and participate in a joint World Bank-USAID/RAISE The assessment came up with an Action Matrix which the Zambian government should implement in order to address SPS issues in the country. The World Bank has since provided funding to SPS institutions, which includes the honey bee diseases discussed above.

- **SPS Study tour to Kenya:** MATEP worked with the SPS/RAISE project to conduct an SPS assessment mission for Zambia and then to take an SPS study tour to Kenya with Zambian SPS authorities. The study exposed to officials how Kenya has proceeded in addressing SPS issues and how SPS institutions are organized autonomously from government in Kenya.

- **Documentation and computerization of SPS information:** MATEP worked with MACO-PQPS to have SPS information computerized to facilitate access to SPS information and application forms and lead to issuance of SPS certificates via the internet. MATEP also assisted PQPS to get connected to the internet.

- **Incorporation of trade related aspects in the control of livestock diseases:** MATEP prepared a concept note and led discussions with MACO on the need to incorporate trade aspects into an large IFAD program for the control of livestock diseases. Trade aspects include the slaughter and marketing of livestock through use of cold chain and the establishment of disease-free zones, including traceability issues, which would facilitate export of livestock and livestock products from Zambia.

Bilateral Trade agreements and non tariff barriers to trade

- **Bilateral agreements:** MATEP worked with the Ministry of Trade, Commerce and Industry and the Ministry of Foreign Affairs to finalize bilateral agreements which Zambia had initiated with DRC, Mozambique and Angola. MATEP provided input into draft bilateral agreements between Zambia and DRC as well as that with Mozambique. Unfortunately, work on the DRC bilateral agreement stalled, first due to elections in the two countries and then owing to a subsequent dispute between the countries.

- **Angola Memorandum of Understanding:** With Angola, not only was there no bilateral agreement, but there were no interim agreements in place facilitating trade either. MATEP began discussions about an interim MOU with the provincial governments of North Western Province in Zambia and Moxico Province in Angola after an exploratory trip to the border in 2006. MATEP provided input into the draft MOU and pursued relevant ministries involved on the Zambian side as well as liaising with the Angolan Embassy in Zambia until the MOU was signed.

- **SADC region non-tariff barriers:** MATEP identified a number of non-tariff barriers (NTBs) to trade that Zambians face when trying to do business in the SADC region. These include delays in issuance of visas, undocumented tariffs, refusal of use of right hand vehicles and the honey irradiation requirement by South Africa. MATEP drafted a paper highlighting these NTBs as input to a SADC-wide non-tariff barriers study report. The paper was submitted through Zambia's Ministry of Commerce, Trade and Industry.

Aid Establishment of the Small Claims Court

- MATEP worked with the Small Claims Court committee set up by the Judiciary to establish two pilot small claims courts in Zambia. MATEP identified a source of funding and then helped prepare proposals, budgets and implementation plans for the pilot courts. MATEP shepherded the proposals through to financing and then helped get the pilot started, including organizing a visit to the South African SCC and training of Zambian staff.

VALUE CHAIN RESEARCH IN THE AGRICULTURAL SECTOR

Agricultural and food security policy in Zambia revolve around the widely accepted goals of income growth, food security, and equity considerations. But progress toward these goals can rarely be achieved without an understanding of how the agricultural economy really works, which requires up-to-date information, analysis, and subsequent dissemination and education. The role of the Michigan State University/Food Security Research Project (FSRP) within the MATEP Project is to convert analysis into local analytical capacity and improved policies through intensive collaboration with public and private sector stakeholders in the agricultural sector. FSRP/MATEP activities revolve around four important agricultural value chains in Zambia: maize, fertilizer, cotton, and horticultural commodities.

Horticulture

Given the relative lack of information on Zambia's domestic horticultural system at the beginning of this project, the horticultural subcomponent's approach emphasized applied analysis in the first year, which was to be followed by formation of a Horticultural Supply Chain Task Force and a stakeholders' workshop where issues raised in the preliminary analysis were discussed and ways forward mapped. Continued applied analysis was to be directed by and fed into the Task Force for policy action. However, due to the disparate nature of participants in the domestic horticultural system, the political overtones to match market place activity in the country, and the tense relations among different trade groups and between those groups and the public sector, it proved impossible to form a cohesive Task Force. As a result, and to continue adding value to the sector, focus in the following years of the component was on:

1. Continued stakeholder consultation using various fora organized by FSRP/ACF or other stakeholders for which FSRP/ACF were invited to make presentations on key research findings
2. Conduct of the Urban Consumption Survey and analysis and dissemination of findings on urban consumption patterns of fruits and vegetables
3. Analysis and dissemination of findings on horticultural trade flows and pricing dynamics
4. Tomato value chain analysis
5. Development and testing of a horticultural mobile phone based market information system

Successes, results, impacts in key focus areas:
Horticultural Supply Chain Task Force: Though the supply chain task force was not formed as envisaged, stakeholder interaction, especially towards the end of the project period when a broad range of results from empirical analysis were available, has enabled articulation of key issues affecting domestic horticultural production, marketing and consumption. One issue which seemed largely neglected was the role the traditional market system (not supermarkets and minimarts) plays in the marketing of fresh produce. Research showed clearly (a) the dominant role of this system and the surprisingly slow growth of the supermarket sector, and (b) the extreme lack of investment in hard and soft market infrastructure especially at the wholesale level. This research, and regular interaction with ZNFU and other stakeholders, has been instrumental in assisting the Zambia National Farmers' Union (ZNFU) to start developing a proposal to sell to stakeholders to invest in developing a proper fresh produce wholesaling facility in Lusaka. Interest has also been aroused in the Ministry of Agriculture and Cooperatives (MACO) to focus more attention on the functioning of fresh produce wholesale markets. These are currently the domain of the local authorities, the Ministry of Local Government and Housing, and the

Ministry of Commerce, Trade and Industry who quite often do not appreciate the special needs for fresh produce wholesaling

Conduct of the Urban Consumption Survey: The Urban Consumption Survey (UCS), which covered all valued chains of the policy component, was conducted in two rounds (August 2008 and February 2009) in four cities of the country. This survey has enabled analysis of urban consumption patterns of various commodities including fresh fruits and vegetables, staples and is being used for some more commodities like charcoal, livestock and livestock products, and urban agriculture. Analysis of the UCS has also allowed us to describe the structure and behaviour of fresh produce markets, including estimating the market share of various types of retail outlets in each city. Results have been published in various reports including FSRP Working Papers, Policy Synthesis, CABI Books Chapters and presented in local and international fora.

Horticultural trade flows and pricing dynamics: This work involves the collection and processing of (a) sub-hourly prices for tomato, rape, and onions three days per week in Soweto market, (b) individual lot volumes for every lot entering Soweto market for those same days, (c) the geographical origin of each lot (specific area within a district), and (d) price data in Chilenje open air market and Shoprite and Melissa supermarkets twice per week. Started in January 2007, the resulting data base now provides a wealth of information for understanding pricing dynamics (both seasonality and unpredictable price variation, including exceptionally high intra-day and intra-week variability), the geographical distribution of supply areas serving the market, and the characteristics of those areas including their own seasonality of supply (as opposed to overall seasonality in the market) and the typical size of farmers operating there. These issues have been explored in the comparative analysis of the structure and behaviour of markets for these three staple vegetables.

To date, a rich database has been created, consisting of data on 48,227 lots of tomato, rape and onion entering the main wholesale market in Lusaka (Soweto) and 22,051 wholesale/first seller and 12,610 retail price observations for these commodities. This rich data base has been and will for a long time be a source of analysis of the horticultural market dynamics which will contribute to the development of the horticultural value chains. Most fundamentally, the system generating the database has become a platform that helps identify important new questions to ask and provides the ability to conduct additional focused research to answer those questions; current research on characteristics and behavior of brokers (including levels of hidden commissions) is an example of the dynamic nature of this system. This programme has also been started in other countries where there are MSU Food Security Projects such as Mozambique.

Within the analysis of the structure and behaviour of vegetable markets serving Lusaka, the nature in which Zambia's horticultural sector operates in a regional market has been better understood and quantified for the three staple vegetables and this is an important step in ensuring that policies and programmes are conducive to continued high rates of growth.

Tomato value chain analysis: This work was on characterization of the tomato production and marketing system serving Lusaka and comparative analysis of Soweto price behavior and assessment of price variability on the level and variability of farmer returns, as Ms. Mukwiti Mwiinga's M.S. thesis. This involved use of wholesale market volume and price data and UCS household data to characterize the tomato production and marketing system serving Lusaka, comparative analysis of Soweto price behavior with that in other countries, and assessment of the impact of tomato price variability on the level and variability of farmer returns. Key messages from this work which have been shared in local and international fora are that (a) the tomato marketing chain is in fact very short, with over 80% of volume being sold in Soweto directly by farmers, (b) production areas dominated by medium- and large-scale farmers provide more than two thirds of the supplies reaching the market, and (c) retailing of tomato is

dominated by the "traditional" sector, with the supermarket share lying at about 1%. Data collected under the wholesale market monitoring work quickly showed a remarkable degree of day-to-day and even intra-day price variability for tomato. Daily tomato price data was also obtained from wholesale markets in the U.S. (Chicago), Taiwan (Taipei), Sri Lanka (Colombo), and Costa Rica (San José) and compared their price variability and predictability with that in Soweto. The analysis quantifies a remarkably strong positive relationship between the predictability of prices (including lesser risk of unexpected price collapses) and the general level of development of the economy being analyzed. This means that the more developed the fresh produce markets become the less the variability and more the predictability exhibited by prices will be.

Horticultural market information system: Stakeholders in one of the consultation fora indicated lack of horticultural market information as a major impediment to the development of horticultural markets. It was agreed a system be developed similar to the ZNFU mobile phone based system. Using data from the horticultural trade flows and pricing dynamics work, FSRP developed and tested a system of supply and price information to be hosted by ZNFU. This needed special provisions (not provided for the other commodities being handled on the current ZNFU SMS system) because of the special nature of vegetable markets. Analysis has shown that implications for the system is that: (a) a system that could provide information to help stabilize the day-to-day flow of product to the market would result in more stable prices, and would generate large benefits for farmers, traders, and consumers; (b) daily price and supply information will be substantially more useful than information limited to 2-3 days per week; (c) high intra-day variability suggests that disseminating information from early in the morning could be valuable; and (d) collecting and disseminating prices and volumes over the course of the morning could be very beneficial to market players. The system has also been discussed with groups of first sellers at Soweto Market but is yet to be implemented by ZNFU due to financial constraints.

Table of activities in key focus areas:

Key focus area	Activities
Stakeholder consultation	o Four open air markets were visited to gain a sense for the range and volumes of fresh produce marketed, standard practices, product quality, and other dimensions. o Officials at Shoprite and Freshmark responsible for fresh produce procurement were interviewed; every Shoprite and Spar store was visited. o Freshpikt was visited in collaboration with PROFIT, their installation was toured, and data on their potential production and current plans were gathered. o Representatives of Marketeer Cooperatives and officials at the Ministry of Local Government were interviewed regarding management issues and investment plans in city markets. o Visits to the Urban Markets Development Programme o Focus group discussions and informal interactions with first sellers (traders, farmers) at various markets o Interactions with ZNFU, MACO and CSO o Attendance in various workshops, seminars and presenting papers in some of them o Preliminary workshop appraisal of the domestic supply chains of fruits and vegetables in Zambia
Conduct of UCS and analysis of urban consumption patterns	o Preparatory work (sample design, questionnaire development, training of supervisors and enumerators), survey implementation, data processing and analysis and reporting

	o UCS general report o Structure and behaviour of markets of three staple vegetables (FSRP Working Paper and CABI chapter) o Socio-Economic research in vegetable production and marketing in Africa (ICIPE) o Vegetable production, marketing and consumption in Zambia (for ZNFU)
Horticultural trade flows and pricing dynamics	o Routine data collection, entering in database and cleaning o Continuous informal interactions with first sellers at Soweto market with regard to horticultural markets in general and periodic interviews with market players on quality standards o Periodic interviews using checklists on various market issues such as the role of brokers o Structure and behaviour of markets of three staple vegetables (FSRP Working Paper and CABI chapter) o Vegetable production, marketing and consumption in Zambia (for ZNFU) o Periodic analysis of broker behaviour o Periodic analysis of marketing margins
Tomato value chain analysis	o Analysis of UCS and trade flows and pricing dynamics data o Use of daily wholesale price data from other countries for comparison on variability and predictability o Survey of tomato farmers in and near Lusaka for productivity, marketing and profitability issues o Survey of first sellers for characterization of tomato supply areas
Horticultural market information system	o Analytical design of the system o Continuous consultation with market stakeholders (first sellers, traders) o Continuous consultations with ZNFU and other stakeholders o Testing the system o Sending data to ZNFU for implementing the pilot phase (not being disseminated)

Lessons learned: Several major lessons have emerged from work in this component. First, there is need to have provisions or mechanisms to facilitate implementation of recommendations based on empirical analysis on the ground. For instance, empirical analysis and stakeholder views have shown that improved market information through mobile phone based information systems can go a long way in improving market performance for increased income for rural producers, equitable returns for market players along the supply chain and better quality produce at competitive prices for urban consumers. Yet implementation of the developed market information system has not been achieved due to funding limitations though not much capital is really required for this. ZNFU is a donor driven organization with each donation having specific budget lines and it has been difficult for the institution to divert funds made for specific activities for the market information system.

Second, the disparate and even fragmented nature of the system, the political overtone to match activity in market places, and the tense relations among different trader groups and between those groups and public sector mean that achieving cohesive action across stakeholders in the system will require an intensity of focus on persistent outreach that was not possible under this project. The good news, however, is that the project has contributed to a greatly enhanced empirical understanding of the sector and has provided a

basis for continued learning, both of which will be crucial to sustaining any momentum behind a stakeholder working group.

Third, the project showed that Soweto market plays a huge role in fresh produce wholesale trade include handling of regional imports and re-distributing produce to other parts of the country and even to some neighboring countries, yet Soweto has received literally no public investment for fresh produce wholesaling for many years . This is despite the large volumes worth millions of dollars of transactions in the market, and it is not clear when such investment can be secured. Meanwhile, facilitation of such issues is beyond the scope of this project component.

Conclusions: Research in horticultural value chains has shown that the sector has great potential for increasing rural income and poverty reduction but the supply chains needs to be well and effectively linked to the urban consumers. In order to achieve this, information on the structure and behaviour of the markets including quantification of certain aspects needs to be available for appropriate policy direction. FSRP has made a giant step in this regard and a wealth of information on fresh produce production and marketing, which was not available before this, has been generated and shared with stakeholders in numerous fora. What remains, in addition to further applied analysis depending on identified issues, is to further enhance policy outreach and institutionalize it in a workable stakeholder working group. Further more there is need to make deliberate and authoritative linkages with institutions/organizations that can facilitate investments based on empirical analysis. A cardinal issue is investment in wholesale markets improving both hard and soft market infrastructure. Wholesale markets need capacity building of management as well as transparency so that brokers or middlemen - who provide an important market service - do not end up distorting the markets to a point that smallholder farmers get discouraged from producing fresh produce.

Cotton

The strategy for addressing the cotton sector's constraints focused on three elements. First, the project aimed to help the sector learn from and extend past successes, often realized by individual companies, to have sector-wide impact. Second, the project focused on evaluating, proposing selected modifications, and monitoring policy initiatives in existence at project inception, specifically the Cotton Smallholder Outgrower Fund and the Cotton Act. Finally, the project wished to identify new initiatives to address specific constraints. The action plan to address the sector's constraints proposed a nine month process of individual stakeholder consultation to identify proposed elements of a Cotton Supply Chain Development Program, capped by a national stakeholders' workshop that to review, modify, and approve the proposed program and create a Cotton Supply Chain Development Task Force to monitor and adjust the program over the succeeding 51 months. This process of consultation leading to a national stakeholders' workshop was to build directly on work carried out by MSU and FSRP from 2000 to 2003.

Though a formal Cotton Supply Chain Development Program was not elaborated, the approach as initially conceived was largely adhered to. The rest of this section identifies key elements in the approach and key successes achieved.

Successes, results, impacts in key focus areas:
Helping the sector learn from past successes: Combining work within Zambia with continent-wide work in which MSU was involved, the project clearly helped the sector learn in more detail about its key strengths and weaknesses and the types of policy and programmatic initiatives needed to continue improving performance. In November 2007, a broad stakeholder conference was held in which results from a nine-country study across West and Central Africa and East and Southern Africa were presented from a Zambian perspective. A series of presentations evaluated how Zambia measured up to its African

competitors on a range of performance dimensions. Presentations took into account the particular characteristics of the Zambian system that condition its performance and the types of policy and programmatic initiatives most needed to improve performance. This workshop became the basis for much of the thinking about priorities for the emerging Cotton Act and Cotton Board.

Evaluating policy initiatives: A major focus of this element was evaluating the Outgrower Fund and the Cotton Act, and proposing improvements. Of the two, the Cotton Act received by far the most attention due to its potentially central role in shaping the sector for the foreseeable future. Key milestones in the project's work on the Cotton Act included:

- Working closely with the Cotton Working Group during 2005 and 2006 to (a) diagnose key weaknesses in the proposed new Cotton Act and (b) after the surprise signing of that act in December 2005 by the President, negotiating an agreed set of revisions to the Act. The CWG actively sought the technical input of the project throughout this process, and the project also assisted in contracting an attorney to produce the final legal language for submission to Parliament.
- Though the Act has yet to be submitted to Parliament, despite heavy support from stakeholders, the Cotton Board was finally seated in early 2009 under the provisions of the 2005 Act. This project has provided on-going advice to the Cotton Board on key priorities for the sector and for Cotton Board action. Key among these has been formation of a data base on input credit provision and repayment, which would form the informational basis for addressing credit default problems that periodically plague the sector. Financed by MATEP, FSRP/ACF has agreed to host this data base and to advise on its content and use.
- During the latter half of 2008 and 2009, the project began to build on previous work related to the Cotton Act by assessing in more detail the regulatory structure for the cotton sector. This involved comparison of the basic provisions of the Cotton Act to other commodity acts in the country, and consideration of the role of the Zambia Competition Commission.
- More recently, the project has begun to assess efforts at productivity enhancement and improved natural resource use through the Cotton made in Africa (CmiA) initiative funded by GTZ and the Bill & Melinda Gates Foundation and implemented in Zambia by Dunavant and Cargill.

Identify new initiatives: The major new initiative proposed by this project has been the credit data base referred to above. The project first proposed this data base in 2005 in the course of assessing the proposed new Cotton Act and has continued to be involved as the initiative moves forward.

Table of activities in key focus areas:

Key focus area	Activities
Learning from past experience	o Incorporating Zambia into a nine-country study of cotton sector reform experience o Actively interpreting results from this study from Zambia's perspective and incorporating insights into regular outreach within Zambia o Two working papers, several Policy Briefs, one book, two academic journal articles, and on book chapter produced from this work
Evaluating policy initiatives	o Active engagement with CWG during 2006 and into 2007 to negotiate broad agreement to proposed revisions to Cotton Act o Critiquing the Cotton Outgrower Credit Fund o Advising on establishment of the cotton credit data base o Assessing in more detail the regulatory structure for cotton in the system o One working paper and several policy briefs produced from this work

Identifying new initiatives	○ Cotton credit data base first proposed in 2005, with project advising on design since that time and offering to host the data base

Lessons learned: Several key lessons have been learned from this component of the project. First, critical comparative assessment of one country's commodity system (in this case cotton, but the lesson is not limited to this commodity) with those of its neighbors can be highly productive in crystallizing an assessment of the sector's strengths, weaknesses, and priorities for action. Without a cross-country comparative assessment, few benchmarks exist to assess performance and little variation in policy and programmatic approach exists from which to learn.

Second, the cotton sector in Zambia is capable of coming together in a concerted fashion to diagnose problems and propose ways forward; the unprecedented collaborative approach to agreeing on revisions to the Cotton Act shows this, as does the eventual seating of the Cotton Board in spite of the revisions not being submitted to Parliament.

Finally, and as a note of caution, the political difficultly of effecting explicit policy change should not be underestimated. Aside from unknown political considerations, there is no good way to understand the repeated failure to submit Cotton Act revisions to Parliament despite nearly unanimous support for these revisions among a broad range of sector stakeholders.

Maize

The vision for the maize value-chain involved the achievement of productivity growth on smallholder farms and throughout the marketing system to catalyze income growth and food security. The past decade has demonstrated that such productivity growth has not been achieved based primarily on a program of subsidized fertilizer distribution. Farmer incentives to produce maize for the market and to invest in productivity-enhancing inputs for use on maize require a reliable network of local input suppliers and crop traders—regardless of whether they are public, private or cooperative. Zambia's vision for the maize sector involves, among other things, achieving stability and predictability in the policy environment to facilitate new entry and investment in this network of local input and output trading firms, so that it can catalyze farm production incentives. This broad vision entails a significant increase in private sector investment in rural areas in input delivery and output market access, to be achieved by a more stable and predictable policy environment that provides durable incentives for private investment in these critical tasks.

Agricultural and food security policy in Zambia revolves around the widely accepted goals of income growth, food security, and equity. But progress toward these goals can rarely be achieved without an understanding of how the agricultural economy really works, which requires up-to-date information, analysis, and subsequent dissemination and education. The role of the Michigan State University/Food Security Research Project (FSRP) within the MATEP project was to conduct analysis on key policy issues and convert these analyses into improved policies through intensive collaboration with public and private sector stakeholders in the agricultural sector. The MATEP/FSRP work was based on the premise that improved empirical information about the behavior of farmers, consumers, and marketing agents can improve agricultural sector decision making, resource allocation decisions, private sector performance and private/public sector partnerships in Zambia. The main goal being to help to redefine the role of government and enhance international and trade policy.

The FSRP/MATEP maize sub component focused mainly on:

1. Developing a better understanding of smallholder production and marketing patterns and how these patterns have shifted over the past decade, in order to understand how maize (and broader

sectoral) marketing and trade policies could be designed to better serve the needs of small farmers and consumers.

2. Examining how government maize marketing and trade policies affected maize price levels and stability;
3. Documenting the southern Africa region's transition to structural maize deficit, the causes, and the likely impacts of deepening structural deficits on food prices;
4. Documenting the impressive decline in real maize marketing and processing margins since the reform of maize markets in the early 1990s.
5. Identifying opportunities to improve food security and rural income growth in light of the dramatic rise in world food prices since 2007, and new analysis on urban maize consumption patterns and food security policy.
6. Working on the implications of the change in world food prices on local and regional food market conditions and impacts, in collaboration with local stakeholders in Zambia. This included analysis of how changes in world food, fuel and fertilizer prices are anticipated to affect maize prices in Zambia, how policy choices and investment decisions may alter the level and stability of maize prices, and identifying strategies that will exploit the opportunities that higher farm prices may provide to improve the living standards of the Zambian population.

Successes, results, impacts in key focus areas:

Using evidence from this and other research activities, FSRP/MATEP has been informing policy makers, donors and other sector stakeholders including parliamentarians through presentations, meetings, dialogue and other outreach activities on the following topics: trends in agriculture since 1980; achievements, challenges and opportunities for continued poverty alleviation and growth in Zambia's agricultural sector; maize and fertilizer marketing; agricultural marketing and finance system; maize trade policies to improve farmer incentives and food security; and tracking public expenditure to the agriculture sector.

Consistent with its mandate on the maize sub component, FSRP/MATEP has achieved progress in (a) concrete policy change, and (b) improving the quality of government policy discussions. Specific achievements are as follows:

1. Through the Maize Value Chain Study, FSRP/MATEP and MACO partners have documented several important trends in Zambian agriculture:
   - Major shifts in crop production patterns from one where maize was the dominant crop in smallholder production and sales, to a much more diversified current pattern of production. Though maize remains the dominant crop in production, accounting for about 30-40 percent of the value of total farm output in the smallholder sector other staple crops such as cassava, fresh vegetables, crops and livestock production have increasingly become important to smallholders' food security and income generation in recent years.
   - Reduction in rural poverty rates, which corresponds to major growth in smallholder production of crops other than maize.
   - Shifts in the region to structural food deficits, especially driven by events in Zimbabwe, rising demand in the DRC, and a deliberate policy shift to reduce surplus maize production in South Africa. This situation affords many opportunities for Zambia if it can improve the efficiency of its maize production and marketing system through cost-reducing public goods investments.
   - Dramatic reduction in maize marketing and processing costs, which has conferred major benefits to urban consumers and net maize purchasing smallholder farmers.

2. FSRP/MATEP provided technical support to the MACO Early Warning Unit to prepare for Annual Crop Forecast surveys. As a result of this engagement, results from the survey became more

credible and FSRP/MATEP has continued to be called upon to build local capacity via data collection, cleaning, analysis and training.

3. CSO agreed to major methodological changes proposed by FSRP/MATEP to the Crop Forecast and announcement of the National Food Balance: FSRP/MATEP led the process of technical review featuring meaningful public/private sector cooperation. These efforts assisted MACO in implementing the first ever "lock-up" crop forecast review and national food balance announcement session at MACO with private and public sector cooperation.
4. Working closely with public and private stakeholders in the maize value chain, FSRP actively consulted and conducted applied analysis regarding how to deal with the 2008 rising price of maize grain in Zambia and proposed strategies to avoid the repeat of significant price run ups as happened in the 2005/06 marketing season. FSRP conducted stakeholder consultation and published a policy synthesis "Marketing Policy Options for Consumer Price Mitigation Actions in the 2008/09 Maize Marketing Season in Zambia".
5. Responding to soaring world and regional commodity prices: FSRP/MATEP at the invitation of a ZNFU, presented research results to a meeting of the Zambian Task Force on Rising Food Prices: Working Group on Transitional Issues, at ZNFU offices in Lusaka, in September 2008. The key message delivered was that the GRZ and private sector traders/importers need to be timely in working together to arrange for imports of maize grain to help meet lean season demand in the 2008/2009 marketing season in Zambia.
6. FSRP/MATEP was called upon by FRA to share some insights on issues to consider when dealing/discussing the maize indicative price or maize floor price for marketing season 2009/10, stocking up of FRA strategic reserves, maize production costs and Zambia National Farmers Union (ZNFU) and private sector participation. Most of the stakeholders were happy with the announcement of FRA buying price of K65, 000 per 50kg bag instead of the proposed K85,000 by the ZNFU which could have made Zambia maize very uncompetitive in the region.
7. The stock-monitoring committee chaired by MACO was set up to allow the private sector (farmers, traders and millers) and FRA to share information on stock holding with government. MATEP/FSRP has played an important role in the design of the information collected by the stock-monitoring committee.
8. FSRP/MATEP continued to sensitize MACO to the need to make sure that maize imported by the GRZ are sold on local public markets in order to allow consumers to benefit from the opportunity to mill grain into meal by small-scale mills. The result has been positive, with the Food Reserve Agency selling grain to local markets.
9. Following the conceptualization of an Agricultural Market Development Plan (AMDP), FSRP provided substantive input and facilitated the production of a detailed AMDP document. AMDP focuses on market and private sector development, and a reorientation of the role of government and government agencies such as the Food Reserve Agency. FSRP facilitated a review of agricultural legislation, starting a process of legislative harmonization as a basis for the reforms proposed in AMDP.
10. FSRP/MATEP has been asked to lead the development of a concept note on Public Private Partnership, an initiative by the President of Zambia. Working together with ACF key stakeholders agreed on major resolutions, resolutions that will be incorporated into the concept note and revised Agricultural Marketing Plan. The resolutions revolved around: having a grain without boarders policy, the need for transparency when setting FRA maize floor pricing, and encouraging a private sector led grain marketing sector via consistent policy environment at all levels of the grain trade that is designed to enable and promote private sector growth and the setting up of the Agricultural Marketing Council.

Table of activities in key focus areas:

Key Focus Area	Activities

Maize value chain analysis a) Smallholder production and marketing behavior, b) Maize trade policy and price stabilization	• Analysis on the impacts of market reform on maize milling/retailing margins and real maize meal prices. • Study on the financial implications of FRA maize operations in the maize market • In conjunction with the ZNFU, carried out an analysis of how the appreciation of the kwacha is affecting Zambia's agricultural sector. • Analysis of the trends in Zambia agriculture from 1980-2006. • Regional analysis of impacts of maize marketing and trade policy on price instability and comparison of the magnitude of maize price instability in Zambia and other countries in Africa • Understanding how maize trade policy has affected market price levels in Zambia through analysis of government and private sector import and export data. • Examining patterns in staple food costs in urban Zambia and other cities of Eastern and Southern Africa • Presentations to various stakeholders on issues maize marketing and trade issues • Consultation and dissemination workshops with senior government officials from Ministry of Agriculture, Ministry of Finance and Ministry of Trade and Commerce on grain marketing and trade issues

Lessons Learned: Maize is a staple food crop in Zambia and the politics surrounding the crop required FSRP/MATEP to continue interacting with the stakeholders and providing useful empirical evidence on various issues. In a number of cases, new senior staff in the Ministry of Agriculture and Cooperatives needed to be oriented on key issues and evidence available regarding maize marketing and trade issues in order not to reverse gains made with former senior staff. As a rule of thumb, the MSU/FSRP "joint products" approach was very effective in that training, applied research, and outreach were undertaken collaboratively with in-country stakeholders and government counterparts. In terms of specific policy changes, we found that

- Private trade develops more slowly and more tentatively where government policy is unpredictable, a situation that continues to haunt Zambia;
- Cutting off trade depresses the long-term development of commercial markets; properly regulated commercial markets promotes price stability;
- If government intervenes too heavily, then markets will not develop;
- There is need to continue promoting consultation and coordination between public and private sectors to reduce uncertainty in each others' behavior.

Fertilizer

FSRP/MATEP work on the fertilizer subcomponent focused on:

1. Informing and supporting the Ministry of Agriculture and Cooperative's Agricultural Inputs Marketing Development Plan (AIMDP). The research agenda has focused primarily on two issues:
    a. understanding where it is profitable (and where it is not profitable) to apply fertilizer under different soil types, agro-ecological zones, and market conditions faced by small farmers in Zambia, and what factors could improve the profitable use of fertilizer; and
    b. understanding how government fertilizer subsidies distributed to small farmers under the Fertilizer Support Program (FSP) are affecting overall fertilizer use.

2. The issue of subsidy distribution by the state versus development of a sustainable private sector distribution system within the context of the AIMDP. The subcomponent looked mostly at fertilizer profitability under different smallholder conditions and locations.
3. The impact of FSP on input markets and smallholder fertilizer use.
4. Assessing fertilizer profitability under the new fertilizer and grain price environment likely to prevail in Zambia.
5. Continued interaction with ACF, MACO and other stakeholders in assisting to move the FSP reforms forward

Successes, results, impacts in key focus areas:

- FSRP/MATEP research led to the paper: "Input Promotion Programs and Commercial Market Development: Modeling Fertilizer Use Decisions in a Two-Channel Marketing System." This paper develops an econometric method to measure the potential "crowding out" effect of government subsidy programs. Results from this study as well as analysis on the cost-benefit of FSP and fertilizer profitability in different parts of country have been used to inform policy makers, donors, and other sector stakeholders. In addition to informing Government fertilizer policy, the fertilizer profitability analysis also meant to contribute to the emerging debate in Africa (e.g., issues discussed at the Fertilizer Summit in Abuja) as to the role of government in promoting smallholder farm productivity.

    - Following the initial agricultural inputs marketing policy dialogue, led by MACO and FSRP/MATEP, the project provided strategic input into MACO's Agricultural Inputs Market Development Plan. Private and public stakeholders participated in the process and a draft Agricultural Inputs Marketing (AIM) document was produced for ratification by GRZ. The AIM plan is officially a government plan and MACO has used it in developing the Five-year National Development Plan and in discussions on the proposed Agricultural Marketing Bill.
    - ACF/FSRP help elevate Fertilizer Support Programme Reform to a high level policy issue: ACF/FSRP were central to helping organize a stakeholder Study Tour and to raising the public profile of the debate over needed reforms to the program.

- FSRP/MATEP worked closely with ACF and MACO to plan and implement a study tour for the Zambia fertilizer reforms to Kenya, Tanzania and Malawi involving various stakeholders. FSRP/MATEP utilized its knowledge and understanding of the fertilizer developments and networks in these countries to help structure the visit. Based on experiences on the tour, a report as well as proposed reforms was presented to the Government as well as the donor community and stakeholders on different occasions. Some of the recommendations were adopted and implemented by the government of Zambia during the 2009/10 agricultural season. These include:

    - Increasing the number of beneficiaries from 200,000 to 534,000 small scale farmers;
    - Reduced the amount of seeds, fertilizer given to the SCF from 8X 50 kg bags of fertilizer and 4X50 kg bags of seeds;
    - Incorporated the creation of camp agricultural committee to involve chiefs and religious leaders;
    - Changed the name from Fertilizer Support Programme (FSP) to Farmers Input Support Programme (FISP) to enable the programme to have a foundation of strengthened links to training & extension in order to benefit farmers.

  Nevertheless, there are still issues regarding fertilizer procurement and the need to use the emerging private dealer network to distribute the inputs. The use of the electronic voucher is yet to be adopted.

Table of activities in key focus areas:

Key Focus Areas	Activities
Fertilizer Value Chain a) Commercial supply with and without government subsidies b) Government fertilizer subsidies and commercial demand c) Spatial and temporal variability in fertilizer profitability	• Policy retreat with Government to share findings regarding the FSP and its contribution to Zambian agriculture • Analysis of the profitability of fertilizer in different parts of Zambia, according to soil and rainfall type, seed type, and farmer management practices • The effects of the Fertilizer Support programme on Zambian smallholder behavior and incomes • Learning from other countries for improved design of fertilizer programs to assist the poor in Zambia as part of input into reform of the Zambia fertilizer support programme • Presentations to various stakeholders on fertilizer issues in Zambia • Consultation and dissemination workshops with senior government officials from the Ministry of Agriculture and Cooperatives

Lessons learned: Similar to maize, fertilizer use and marketing in Zambia has been utilized as a political tool to win elections. This made FSRP/MATEP interventions very difficult, but a number of reforms have been implemented as a result of these efforts. Continued engagement of key policy makers, MACO senior staff and other stakeholders was key to achieving these changes. The lesson learnt during this process is to continuously work collaboratively with in-country stakeholders and government counterparts and not to ignore the role of the political economy.

TOURISM COMPONENT

As indicated in the Executive Summary, the MATEP Tourism Component distilled activities into five sub-components that best reflected its work. For this reason, all activities under the program have been allocated to those five categories to allow for an easier assessment of program impact in an integrated manner.

IMPROVING INTERNATIONAL MARKETING:

A major constraint to the growth of Zambian tourism has been inadequate marketing and inaccessibility of information about Zambia in major tourist generating countries. This is particularly apparent when comparing Zambia's market penetration to its better-known regional competitors. In order to improve Zambia's tourism profile, MATEP worked with the Tourism Council of Zambia (TCZ), Zambia National Tourism Board (ZNTB, later ZTB), the Hotel & Catering Association of Zambia (HCAZ) and the Travel Agents Association of Zambia (TAAZ) to provide assistance in three primary areas:

- Branding Zambia: MATEP worked to promote the Zambian brand in the international tourism market by assisting Zambian stakeholders to develop a more effective brand and improved marketing strategies and materials. MATEP worked with ZNTB/ZTB on national branding, with TCZ on destination marketing to specific markets and with tour operators and properties on marketing materials and methods. Marketing Zambia as a premier tourist destination was addressed in North America by participating in US/Zambia "road shows," in Europe/Asia by promotion of Zambia at World Travel Market (WTM) and targeting Zambia for business/leisure travel in the region through INDABA and EIBTM. MATEP assisted in the development of a "Destination Zambia/Lusaka" video, which was created for use in promoting Lusaka and Zambia as premier destination for conferences and seminars.

- MICE market development: To help Zambia capture more of the lucrative international business in "Meetings, Incentive travel, Conferences and Events," MATEP worked with TCZ and tourism establishments in Lusaka and Livingstone to develop a marketing strategy, activities and outreach materials. MATEP provided technical assistance to establish a MICE desk at TCZ and to refocus ZNTB/ZTB destination marketing activities. In spite of strong demand for these activities at the start, the MICE initiative proved less effective than anticipated when both TCZ and ZNTB failed to follow through with MICE as one of their priority areas.

- Create market linkages: MATEP helped to provide access to international markets and assisted in contacting potential buyers, focusing particularly on tour operators and inbound wholesalers from Europe and the U.S. MATEP provided training to Zambian enterprises on preparation for trade shows including development of promotional kits, package costing, development for a show marketing strategy (appointments, promotions) and effective post show follow-up. In another activity eight TAAZ members participated in marketing materials evaluation, trade show preparation and internet marketing focusing on shifting their businesses from being simply travel agents to enhancing business as tour operations.

During the later stages of the project, MATEP targeted the smaller "up and coming" tourism enterprises in place of more well-established firms. It is the smaller firms in Zambia that provide a large proportion of tourism services - approximately 80% of tourist beds are in establishments with less than 15 beds. Such enterprises are in most need of help with respect to product delivery and quality standards.

The following chart highlights the various activities in Improving International Marketing:

Improving International Marketing	
Branding Zambia	
Clients	**Description**
ZNTB	• Provided support to two firms: Alendo Travel, Tours & Car Hire and Zambian Safari Company (local tour operators) to participate in ZNTB Road Show targeting the US & Canada. The road show visited six major cities and marketing messages were provided to 370 travel agents. • Improved and streamlined ZNTB's Market Strategy. • Assessment of existing branding and marketing campaigns of both public and private sector. Recommended more aggressive marketing, better funding, staff training emphasizing internet and presentation skills, domestic tourism marketing and more results-oriented trade show participation. • ZNTB refocused its Marketing Strategy to include a more aggressive approach such as having a toll free tourist information number.
Development of MICE Markets	
TCZ	• Facilitated establishment of a MICE Desk and assisted in the recruitment and selection of a suitable candidate. • MICE Desk Established and personnel trained. • Provided assistance in establishing the systems and operating procedures for the MICE Desk, a MICE Workplan and training TCZ/MICE personnel. • MICE activities were initiated leading to participation at EIBTM. • Assisted in development and publication of "Destination Lusaka" brochure on MICE market-appropriate facilities in Lusaka. • Assisted in the development and implementation of a two-day "Destination Marketing Workshop." 46 Lusaka based tourism operator participated. • Assisted in the development and implementation of the two-day "Destination Marketing EXPO" held at Arcades Shopping Mall. 30 exhibitors participated. • Produced a ten minute video on Zambia's tourist attractions used by Destination Lusaka/MICE at World Travel Mart (WTM) 2006 and Ladies Circle in promoting Lusaka as a venue for the 2009 Ladies Circle World Conference. • Assisted Ladies Circle/TCZ/ZNTB in preparation of bid to hold international conference in 2009. Bid submitted, but Lusaka was not selected as host city. • Assisted with audit of MICE-type facilities in Lusaka and Livingstone
Create Market Linkages	
INDABA	• Attended INDABA/South Africa in 2006, 2007 and 2008. INDABA is the premier tourism trade show covering Southern Africa • Established linkages to South African training institutions and companies with valuable regional expertise useful to Zambia. • Facilitated public/private sector participation for trade show. Attended specific marketing activities in support of Zambian enterprises, including Media breakfast for foreign journalist with raffle of Zambian products. Meetings with South African Grading Council, Tourism Training Authority and Tour Guide Institute, and Fuller Frost Associates.

TAAZ	• For 15 member firms, evaluate marketing materials, review brochures and websites for quality and content and evelop strategies of effectiveness in reaching international clients • Improved marketing materials by member enterprises. • Conducted marketing training with one-on-one follow-up for trainees. • Assisted six Zambian travel agents to work intensively on U.S. Marketing: Alendo Travel, Travel Shop, Airmasters Travel and Tours, Zambian Safari Company, Top Flight Travel and Tours, Voyagers. • Assisted in development of a common identity/logo, promotional kits, and trade show guidance. Two additional companies joined: Cutty Sark Travel, SkyJet Travel • Marketing Materials and tour packages developed by the group.
ZTB-US	• Assisted ZTB-U.S. in establishing an "800" number for tourism inquiries. • Facilitated the creation of an intern scope of work to support DC office with references to intern programs at local universities for posting. • Developed a Press Release template for U.S. public relations. • Provided training in presentation and networking skills with U.S.-based tour wholesalers. • Accompanied ZTB Manager to presentations. • Provided technical inputs to the ZTB/U.S. in creating a sales database design and marketing work for use in ZTB USA's marketing activities. • Sales database operational.
HCAZ/ TAAZ	• Provided trade show preparation training in issues pertaining to pre and post trade show activities and how firms can achieve more at the fairs with adequate and proper preparation. Training was held in Ndola, Livingstone. • Promoted the need for hoteliers and tour operators to work together in preparing tour packages and agreeing on a commission structure. A total of 25 people participated in the training.
ZITS	• Provided technical assistance to AFRICAST in planning for the inaugural Zambia International Travel Show (ZITS) held at Mulungushi International Conference Center in 2008 and the second show in 2009. • MATEP moderated seminars organized by HCAZ under the theme, "Is Zambia ready for the World Cup 2010?"
WTM 2008	• Assisted eight Zambian tourism enterprises to attend the World Travel Market in London. Technical assistance was focused on improving displays at the trade show, training in approaches to trade show marketing and help in arranging and conducting interviews with wholesale buyers. Two group sessions were held "pre" and "post" the event. • Provided "On-Site Trade Show Assistance" to eight MATEP-sponsored participants. Training focused on improving displays, approaches to marketing, assistance in arranging/conducting interview with wholesale tourism buyers. Pre- and post-sessions were held.
BIMM Travel	• Provided support for participation in the MATKA Travel Show in Finland and the Adventure Convention in USA.

FORGING COLLABORATIVE ALLIANCES

A successful national tourism strategy requires the coordination and cooperation of public and private sector players. From its inception, MATEP sought to facilitate the dialogue among representatives of

these two key groups, as well as to see harmonization and collaboration with other donors working in the tourism sector. The core activities have been:

- Public/Private Dialogue: MATEP facilitated and provided technical assistance to the private sector in preparing for dialogue meetings with Government over myriad issues as they affect the sector.
- Harmonization and Collaboration: MATEP collaborated with other donors involved in the tourism sector to leverage each other's activities for greater overall impact.

During the early stages of MATEP implementation that there was a high degree of distrust and tension between the public and private sectors. Furthermore, plans and investments were being made on both sides without effective coordination. Donor initiatives were also uncoordinated. This was at the same time as discussions began on enactment of the Tourism and Hospitality Bill and the Zambia Tourism Board Bill. MATEP helped forge alliances that could assist in clarifying the issues for the debate. Activities were prioritized according to the demand for assistance and/or intervention.

Key successes in the area of Public-Private Sector Dialogue include: ministerial meetings on selected topics toward the goal of greater understanding between the public and private sectors; technical support to TCZ, HCAZ and TAAZ in responding to government's call for input on the Tourism and Hospitality Bill and Zambia Tourism Board Bill (with subsequent changes in the Bill reflective of the concerns expressed); rationalization of the supply chain for VAT exemption; and quick response to the private sector regarding government's policy on use of private lodges and guesthouses for government meetings and conferences.

In the area of donor collaboration and harmonization, a consistent framework for interaction evolved leading to a number of joint interventions. The following table details key activities in "Forging Collaborative Alliances" by organization and activity:

Forge Collaborative Alliances	
Public-Private Dialogue	
Clients	**Description**
TCZ	• Worked with Zambia Revenue Authority (ZRA) Commissioner of Domestic Taxes regarding "zero rates" on sales of inclusive tours. • Zero-rates were extended through the tourism supply chain.
HCAZ	• Assessed the effects of a new government circular which banned government meetings/workshops at private facilities. Developed and administered a questionnaire on anticipated losses to HCAZ members, analyzed the results and presented to government and HCAZ.
TCZ/HCAZ/ TAAZ	• Assisted in analyzing the proposed Tourism and Hospitality Bill and Zambia Tourism Board Bill and prepared presentation to Parliamentary Committee. Input from these papers was incorporated into the final Tourism Act, particularly as referenced in "Right of Admission" and "10% Service Charge" (which were reinstated at the request of the industry).

MTENR/ Private Sector	• Assisted the Livingstone Tourism Association (LTA) with preparation and hosting of first public/private dialogue meeting in Livingstone • Meetings with Minister of Tourism and LTA to discuss the upcoming Tourism and Hospitality Act and Zambia Tourism Board Act. • Facilitated meeting between Minister, the Safari Hunting Outfitter Association of Zambia SHOAZ and Community Resource Board Chairpersons to discuss misunderstandings and tensions in the sector. • Facilitated meeting between the Minister and the TCZ Executive Committee in order for the Minister to provide update on upcoming Tourism and Hospitality Act and Zambia Tourism Board Act. • Facilitated meeting between new Minister and private sector, with particular emphasis on World Cup 2010 preparations.
Joint Assistance Strategy for Zambia (JASZ)	• Participated in the Tourism Group process, which aims to streamline donor programs to effectively utilize resources. This activity was a precursor of the Collaborating Partners (CP) tourism group.
Cooperating Partners (CP) Tourism group	• Collaborated in mapping a joint strategy on support to tourism. Agreed to monthly meetings. Various requests for assistance were discussed and various donors took positions of support. • CP group participated in the AFRICAST ZITS.
Harmonization and Collaboration	
African Wildlife Foundation (AWF)	• Discussed possible collaborative efforts regarding community-based tourism project in Zambia • AWF staff and their community-based tourism enterprises were included in MATEP management training programs.
Support to Economic Expansion and Diversification Project – World Bank (SEED)	• Pursued areas of collaboration with the Bank's SEED project. • Explored possibility of assistance in Livingstone to Mukuni Park Curio Sellers as well as LTA. • Conducted a business skills training program for Mukuni Park Curio Sellers as part of joint assistance to the group with the SEED project
SNV, (Netherlands Development Organization)	• Worked with SNV to pursue joint tourism activities for associations in capacity building and assistance in preparing financing requests • Worked jointly in Luapula and Northern Province to provide training (MATEP) and advocacy (SNV) for tourism establishments. • SNV assisted with logistics for MATEP's HCAZ training in Mongu, Solwezi and Mwinilunga.

CLIENT SERVICES

Client Services, the third sub-component of the tourism component, includes support to industry associations as well as firm-level assistance. For associations, MATEP provided both technical support and capacity building in order to increase sustainability as well as provide greater service to members. Key associations receiving this assistance were: TCZ, HCAZ and TAAZ. The kind of assistance provided was in response to demand for specific information related to strategic planning, advocacy for the sector, technical input and critical policy matters. Perhaps the assistance in developing new strategic plans – becoming more service-oriented to membership - will have the most long-lasting impact. With respect to assistance in policy analysis, one association commented that MATEP assistance made it possible to proceed during a transition period with limited staff (the association has since been able to

expand its staffed and capabilities). MATEP also worked with ZNTB/ZTB in order to reframe marketing activities under the new Zambia Tourism Board Bill. For individual tourism enterprises, MATEP assistance addressed firm level constraints and helped in preparing business plans and applications for accessing finance. Over the period of the program, two organizations received financing through the MATEP Investment Fund and five others were assisted with access to appropriate funding institutions.

The following table provides an overview of the many services that were provided through MATEP to its association entrepreneurial assistance:

Client Services	
Support to Associations	
Clients	**Description**
Barotse Royal Establishment	• Facilitated discussion with Ngambela and the Kuta regarding prospects for marketing the Kuomboka as a tourism product, though with no progress toward the challenges of tourism planning around a cultural event without fixed dates.
Export Board of Zambia	• Forum held for discussion of possibilities regarding working with the tourism sector, followed by visits to tourism establishments to discuss possible areas of support.
Tourism Council of Zambia (TCZ)	• Facilitated the coordination of tourism sector's Private Sector Development (PSD) including negotiating with PSD consultants and monitoring Action Plan implementation. • Publication of a catalogue/database of TCZ members. • Prepared an updated TCZ brochure. • Launched a TCZ Newsletter, "Tourism Explorer." • Assisted in development of an output oriented TCZ Strategic Plan which focused on narrowing activities and making them more relevant to member aspirations. Thisled to the Royal Dutch Embassy financial support for the TCZ Secretariat. • Assisted the TCZ Secretariat in the recruitment of Marketing Executive and an Executive Assistant/Policy Analyst. • Assisted in review and clarification of TCZ constitution. • Facilitated TCZ's submission to the ZTB strategic planning process occasioned by the enactment of the Tourism and Hospitality Bill and Zambia Tourism Board Bill. • Provided technical inputs for TCZ Executive Director's office in preparing the expense report and budget for the next funding cycle. • Assisted the secretariat in developing a work plan and benchmarking staff performance. • Assisted in preparation of submissions to Ministry of Home Affairs on proposed revisions to the Immigration Act. • Advised TCZ on plans to produce electronic version of Destination Zambia and Destination Lusaka brochures. • Facilitated Agenda Setting Workshops in Lusaka and Livingstone, as well as technical assistance in planning and implementing the agenda with MTENR, ZRA, Immigration, ZTB, Zambia Wildlife Authority, Road Transport and Safety Agency (RTSA) and Citizens Economic Empowerment Commission (CEEC).

Hotel and Catering Association of Zambia (HCAZ)	• Assisted in defining strategic focus and preparing roadmap for increasing membership and improving services to members. • Assisted in the preparating HCAZ submission to the ZTB strategic planning process as follow-up to the enactment of the Tourism and Hospitality Bill and Zambia Tourism Board Bill. • Assisted in the review of the association's Constitution and Code of Conduct. • Conducted a strategic refocusing for Siavonga and Kasama in response to request to assist members cope with reduction in government conference business. • Siavonga – 14 establishments inspected with one-on-one follow-up for each. Further discussions considered destination marketing and internet applicability. • Kasama – 13 establishments/27 participants/11 one-on-one visits. Further discussion considered destination marketing and internet applicability. Infrastructure needs are critical. • Provided assistance in conducting a market survey in neighboring countries to get reliable market indicators of hospitality facilities. • Prepared a tourism Benchmarking report for HCAZ.
ZNTB	• Provided support to refocusing the Marketing Plan.
Support to Enterprises	
Mongu Investor Focus Group	• Hosted a meeting of potential investors in Western Province with the objective of identifying ways to support tourism in the region. • Targeted Lusaka-based Lozis to explore investment opportunities in Mongu.
Chimwemwe Lodge	• Provided financial assistance for completion of construction of lodge in Eastern Province in the form of a MIF Loan for K329 million.
Mushitu Safaris	• Provided financial assistance for completion of lodge in Kafue National Park in the form of a MIF Loan for US$80,000
Juls Guest House	• Assisted in progression from hand-written record to a spreadsheet-based reservation and tracking system.
Chaminuka Nature Reserve	• Reviewed marketing and quality standards and assessed facilities to better target high-end market.
Tongabezi Lodge	• Developed plans for staff training and leveraging training resources.
Panorama Lodge	• Provided assistance in the preparation of a business plan and financing proposal.
Sought After Lodge	• Provided assistance in the preparation of a business plan and financing proposal.
Musaka Lodge	• Reviewed applications for financial assistance to enable it to finalize the construction of the lodge, providing recommendations for strengthen it.
Kum'Mawa lodge	• Reviewed application of application for financial assistance to enable it to complete civil works and furnishing for the lodge under construction.

TOURISM RESEARCH

Effective tourism strategy in both public and private sector depends on accurate and timely information on market conditions, trends, options and realities and MATEP's Policy and Research activities have been complimentary to the project's main objective of increasing tourism receipts. Policies can constrain or enhance growth in the sector and many questions can only be answered with research. In this regard, MATEP provided technical inputs for research into tourism topics identified as key issues by both the public and private sectors. Such issues related to policy formulation, constraints to growth, improving tourism data in Zambia and operational issues for Government or individual establishments. For example, licensing within the industry is a major barrier both to entry and to continuity for tourism establishments and MATEP has worked with TCZ and HCAZ to identify the key restraints and to lobby for rationalization of the process at all levels of Government, local, provincial and national. Passage of the Hospitality and Tourism Act and Zambia Tourism Board Act helps to clarify the role of licensing, but at present implementation of the acts has not been achieved.

Particularly helpful to the industry has been MATEP's ability to respond to urgent demands for information in a crisis. Examples are:

(1) A request by TCZ to review the impact of the appreciation of the Kwacha on doing business in Zambia. MATEP assisted TCZ to prepare a position paper on the appreciation of the Kwacha, which appreciated by over 30% in November 2005 which was presented to Government to look for steps to mitigate effects; and

(2) MATEP assisted TCZ undertake a survey on the likely economic impact of an increase in visa fees which were raised from US$25 to $140 for British tourists, to $120 for Americans and to $50 for all other nationalities (British and American tourists account for over 80% of international visitors). Visa waivers and one-day visas were also abolished. The government subsequently revised visa fees to be $50 for all tourists.

Of equal importance have been MATEP studies on Zambia's competitiveness in the regional and international markets

(1) Little is known about who Zambia's tourists are, how they travel, what they do and what would most please them making it difficult for the industry to target marketing or focus improvements. MATEP conducted a market survey to collect this data in coordination with ZNTB, TCZ and tourism establishments.

(2) As part of its effort to encourage tourism standard development, MATEP worked with ZNTB/ZTB and TCZ on the subject of a tourism standards and grading system including review of Kenyan and South African Tourism Grading Systems

(3) TCZ requested MATEP's assistance in conducting a competitiveness study comparing Zambian tourism with that of its competitors in the region, the first time such analysis had been conducted. The report compared the cost of doing business in the tourism sector in Zambian and in other destinations in the region: Botswana, Malawi, Namibia, Tanzania, and South Africa. As expected, the study showed that it is between 60% to 100% more expensive to operate in Zambia than in the regional competitor countries.

Further information on activities relating to tourism research can be found in the table below:

Research and Policy Change	
Tourism Research	
Clients	**Description**

TCZ	• Assisted in the preparation of a position paper on the appreciation of the kwacha, which had serious impact on local costs in the tourism sector. • Conducted an impact survey and facilitated response by private sector to the Minister of Finance regarding increase in visa fees, which were subsequently reduced. • Assisted in preparation of submissions to the Economics Association of Zambia (EAZ) to enable EAZ to make submissions to Government on how to mitigate the effect of the global economic meltdown as they affect the Zambia Tourism Sector. • Conducted a competitiveness study to compare Zambian tourism vis-a-vis other countries in the region. In most areas of the report, Zambia was more expensive in all cost areas. • Conducted a study on Tourist Perceptions, with focus on Lusaka, Livingstone and South Luangwa.
MTENR/TCZ	• Conducted report on Tourism Grades and Standards and critiqued another report by Grant Thorton. Also prepared material on Casino Operations and Regulations.
ZTB	• Conducted market research on domestic tourism in Zambia aimed at enabling ZTB to create focused and cost effective strategies for this segment of the market.
ZNTB/TCZ	• Assisted in the conduct of a market survey to learn visitors' perceptions of the Zambian product and their levels of satisfaction with its service delivery.
TAAZ	• Held meetings with Bank of Zambia and the Bankers Association of Zambia re: online credit card payments.

TOURISM SKILLS

One aspect of enhancing Zambia's competitiveness is in the area of skills development in the tourism sector. The feature distinguishing MATEP training making it highly appreciated in the industry compared to other tourism training is that it is entirely demand responsive. From the outset MATEP has worked closely with the Hotel and Catering Association of Zambia (HCAZ) and the Travel Agents Association of Zambia (TAAZ) to identify skill weaknesses, design appropriate training activities and roll out training through the associations themselves. Relationships with these organizations have evolved over the years from respectful collaboration to enthusiastic partnership.

The three primary areas of focus for skills upgrading were:

1) Travel Agents: helping TAAZ members make the transition from being just travel agents, a threatened profession in the age of the internet booking, to becoming tour operators who can package Zambia's assets and develop multiple revenue streams. MATEP also helped companies get more from attending trade shows including development of marketing materials, costing products, targeted appointments during shows and post-show follow through. Additional training was provided in use of the internet to assess market and manage business growth.

2) Hotels and Caterers: MATEP covered a broad spectrum of skills during the course of its training programs including: Branding, Branding with a Local Tone, Sales and Marketing, Managing Finance, Taking Advantage of Local Products, New Trends in Global Hospitality, Strategy Formulation and Deployment, Blending Strategy in Process Management, Managing Hygiene, Food Production, HIV/AIDS in the Workplace, New Trends in Management, Strategic Planning, Global Marketing, Managing Finances, Legal and Safety Issues, Effective Communication, Event Management Techniques and Relationship Marketing. A project focus was to deliver training to the smaller "up and coming" tourism enterprises as well as more well-established firms.

3) The Hotel and Tourism Training Institute (HTTI): HTTI is the principal tourism-training institute in Zambia, but the tourism industry feels the graduates' skills do not match needs by the industry. To address this MATEP conducted training courses for 62 HTTI lecturers and 200 students on topics such as Effective Communication, New Trends in Management, Strategic Planning; Global Marketing, Managing Finances, Legal and Safety Aspects, Event Management Techniques and Internet Marketing Training.

The table below provides a more in-depth overview of the various activities implemented during the course of the program.

Improve Tourism Skills	
Training	
Clients	**Description**
HCAZ	• Provided five training programs in hospitality management in Ndola, Lusaka, Chipata, Monze and Livingston. Key topics: New Trends in Global Hospitality, Strategy Formulation and Deployment, Blending Strategy in Process Management, Branding, Sales & Marketing, Sustaining Hospitality Businesses, Managing Finances. • A total of 152 people participated in the training, representing 92 enterprises. • Provided training in Marketing and Customer Service in Kitwe, Lusaka, Kabwe. Key Topics: New Trends in Management, Strategic Planning, Global Marketing, Managing Finances, legal and Safety Aspects, Effective Communication, Event Management Techniques, Relationship marketing. • A total of 113 people participated in the training, representing 43 enterprises. • Provided mini-seminars for four large Lusaka hotels. Key topics: Modern Management Techniques, Revenue Management, Food and Beverage Sales, Promotion and Marketing Strategies and Creativity and Production Management. • A total of 73 people participated in the training, representing 4 enterprises. • Provided additional training in Lusaka, Kitwe and Ndola. Key topics were: Customer Service Issues, Pricing and Costing • A total of 17 people participated in the training, representing 6 enterprises. • Provided a one-day training event in Motivational Management Training. Strategic Refocusing for Siavonga and Kasama • A total of 39 people participated in the training, representing 27 enterprises. • Provided seven training programs in Customer Care in Ndola, Livingstone, Lusaka, Solwezi, Chipata, Mansa, and Kasama. Key topics: Modern Trends in Reservations, Front Desk Management, Food and Beverage Services, Financial Management, First Impressions, Self Motivation, Telephone Techniques. • A total of 171 people representing 84 enterprises participated in the training. • Provided five training programs in Customer Care in Mongu, Mkushi, Solwezi, Mwinilunga and Kapiri Mposhi. Key topics: Modern Trends in Reservations, Front Desk Management, Food and Beverage Services, Financial Management, First Impressions, Self Motivation, Telephone Techniques. • A total of 104 people representing 49 enterprises participated in the training • Provided five training programs Customer Care/Management and Marketing in Mansa, Kasama, Livingstone, Kafue and Siavonga. Key topics: Modern Trends in Reservations, Front Desk Management, Food and Beverage Services, Financial Management, First Impressions, Self Motivation, Telephone Techniques. • A total of 167 people representing 75 enterprises participated in the training • Provided seven Restaurant Training workshops covering Restaurant Management, Staff Training, Menu Planning, Food Safety. Kitwe and Lusaka. • A total of 302 people representing 23 enterprises participated in the training. • Provided three Internet Marketing Skills workshops with additional time in one-on-one

	sessions for building and optimizing websites. Ndola, Livingstone and Lusaka. • A total of 67 people representing 45 enterprises participated in the training.
TAAZ	• Provided a two week course for TAAZ members on methods of transition from travel agent to tour operator. Participants received both group instruction and one-on-one consultations at the enterprise level. Key topics were: Terms and Disciplines, Coordinating and promoting a travel programme, Marketing Tools and Marketing Plans, Specialist areas of tour operations • A total of 22 people participated in the training. Participants started designing tour packages and marketing programs for INDABA and WTM
HCAZ, TAAZ, LILOGHA	• Internet Marketing Workshops were conducted for HCAZ, TAAZ and the Livingstone Lodges and Guest Houses Association (LILOGHA). Course content was as follows: Getting online – the theory and skills to take business to the internet; Getting noticed – marketing principles applied to the online setting; and Going from good to great – taking the next steps for Zambia. One-on-one training was also conducted to set up web pages. • A total of 24 people representing 21 enterprises participated in the training.
HTTI	• Tourism Workshops were conducted for lecturers and students at the Hotel and Tourism Training Institute to upgrade skills in topics such as: Effective communication; New trends in management; Strategic Planning; Global Marketing; Managing Finances; Legal and Safety Aspects; Event Management Techniques; and Internet Marketing training. • A total of 62 lecturers and 200 students participated in the training.
Mukuni Curio Sellers Association	• A Business Skills Training Workshop was conducted. • A total of 16 people representing 12 enterprises participated in the training.

LESSONS LEARNED

There have been many lessons learned throughout the course of the implementation of the MATEP. The key ones are as follows:

- *The importance of a willing partner:* Considerable effort was expended in design, training and development of a MICE desk at TCZ. The concept was accepted by all with seeming enthusiasm. But despite adequate funding for the position, to date there is no MICE desk in operation.

- *Public sector support is variable:* Government often indicates willingness to be a part of the discussion, but this intention often does not translate into action. Individual meetings were possible but it often proved impossible to institutionalize the dialogue, even when originally requested by government.

- *A dynamic partner can leverage support to provide sustainable services to its members:* HCAZ, with a dynamic Chief Executive Officer and a supportive board, successfully identified its membership felt were limitations and requested MATEP support to meet those needs. In the process, local capacity was developed as a strategy for the sustainability of the activities.

- *Access to international markets requires a complex, sustained strategy:* Zambia, with its incredible natural resources and friendly population, is nonetheless significantly behind other countries as a destination. A more proactive marketing approach is needed as well as an understanding of working with large international wholesalers.

- *"Destination Marketing" is a way to focus the industry on attracting tourists:* To bring large numbers of tourists to Zambia, the country must more successfully market itself as a destination This strategy worked well in the MATEP-supported road/trade shows over the course of the project, as it has in marketing the Victoria Falls destination

CONCLUSION

This conclusion summarized , MATEP's tourism component principal accomplishments in the five tourism subcomponents.

- International Market Linkages
  - Branding Zambia – MATEP's emphasis on destination marketing provided a strong focal point for both the public and private sectors. It brought together operators, enterprises, government officials and investors in a way that only was possible with the overriding theme that Zambia is a good country for tourism and identifying the reasons why. A stronger focus on the country as a whole allows each subsector of the tourism industry to share in the process. Steps toward thinking as an industry have been an important accomplishment for MATEP.
  - Development of MICE Markets – The MICE initiative was not as successful in practice as was hoped. However, this concept which supported the multiplicity of target markets enabled the sector in Zambia to see what was possible and to begin to plan outside the framework of the "wealthy international leisure tourist." At some point, MICE will gain more traction in Zambia, but for now, it has served an unintended purpose in opening thinking about possible markets.
  - Create Market Linkages –An important transition began to take place as MATEP worked to assist various associations and enterprises access international and regional markets. That transition took place within two organizations in particular. The first was TAAZ, which saw its market for airline ticketing contracting and worked with MATEP to move its members to the broader role as tour operations. Second was HCAZ which took MATEP-provided skills training and moved to improve the standards and quality of its industry.
- Forging Collaborative Alliance
  - Public-Private Dialogue – Though the public-private dialogue did not develop as strongly as originally anticipated, there were still some progress towards more cooperation in a relationship characterized by acrimony and suspicion. Passage of new legislation with significant private sector input was an example, even though passage too much longer than expected. .MATEP facilitated many of these discussions, particularly when it involved a specific concern, such as visa fees, monetary appreciation and others.
  - Harmonization and collaboration – Working in concert with the donor community, MATEP supported a dialogue that eventually resulted in the current working group of Cooperating Partners (CP), the rationalization of funding and reduced duplication of activities.
- Client Services
  - Support to Tourism Associations – Exit interviews conducted with tourism associations noted the importance of MATEP support. TCZ commended not only the assistance received itself but felt the sector benefited in having a trusted, objective resource on call. HCAZ credited MATEP's technical expertise with helping to refocus the organization in the area of practical skills development and acknowledged that the organization will continue to offer and extend the training programs begun. HCAZ noted its membership

increased from 250 to 391 enterprises partially in response to new services being delivered. Smaller, but important is TAAZ, which also credited MATEP with helping to change the culture of its members from ticket agents to tour operators. TAAZ also increased its membership from 32 to 40 during the program.

- Tourism Research & Policy
  - MATEP made a significant contribution to the review and resolution of some key concerns during its years of operation including the serious situation for the industry resulting from the appreciation of the Kwacha, government's decision to withdraw its business from private sector for meetings and workshops, government's increase in visa fees, Zambia's competitiveness in the region and the perception of its tourism visitors.

- Improving Tourism Skills
  - MATEP pursued a practical program of improving tourism skills responding closely to the demands articulated by the tourism industry. Skill training ranged from the management level to the training for front-line service staff. The "Customer Care" training program for small enterprises, reaching 1,344 participants representing 513 enterprises, undoubtedly received the highest reviews by participants. HCAZ fully intends to continue the program as part of its own strategic plan as well as to add a component for managers and supervisors.

All of the people interviewed expressed regret that the MATEP program was coming to a close. Yet at the same time, each also pressed confidence in the ability of his/her organization or enterprise to carry on in a more productive way.

Success Story
Tourism Council of Zambia (TCZ)

Minister of Tourism opening the Destination Lusaka Expo

Hostels Board Expo stand at the Expo

Handicraft exhibit at the Expo

The Tourism Council of Zambia (TCZ) was established in 1995 as the apex organization for private sector tourism associations in Zambia. A challenge for organization over the years was how to perform as an advocate for an industry that was itself transforming in the face of globalization. Recognizing the need to provide more effective services for its members, TCZ approached MATEP to help with technical support in refining and refocusing its Strategic Development Plan.

The resultant Strategic Development Plan sharpened TCZ's focus by narrowing its activities and making them more relevant to members' aspirations. Additionally, the TCZ Secretariat was strengthened enhancing its ability to deal with sector-wide policy issues. Now, not only are TCZ members more satisfied with the organization, but the Plan was instrumental in mobilizing funding from several donors, including the World Bank SEED Project, the Royal Netherlands Embassy and the EU Capacity Building Project.

The strengthened Secretariat has been able to add a Policy Analyst and a Marketing/MICE Executive (MICE-Meetings, Incentive travel, Conferencing and Events). Both positions extend the reach of TCZ as the voice of tourism for the private sector.

TCZ, with MATEP assistance, can now take a more informed role in examining the critical issues in the sector: competitiveness, standards, destination marketing, and business/leisure travel. Zambia is an excellent MICE destination, but it captures only a small proportion of this lucrative market. With MATEP assistance, the TCZ MICE Desk is targeting Lusaka facilities under the Destination Lusaka initiative.

Other MATEP-assisted activities by TCZ include: hosting the 2008 World Tourism Day Expo; leadership regarding enactment of the Hospitality and Tourism Act, highlighting critical policy issues and commissioning research on regional and domestic tourism markets.

"MATEP has assisted TCZ transform from a small ad hoc secretariat to a fully fledged institution".
Josephine Sampa Mehl, Executive Director for TCZ

Success Story
Travel Agents Association of Zambia (TAAZ)

Uniquely Zambian Destination

TAAZ Tour Operator

TAAZ members at WTM - November 2008

The Travel Agents Association of Zambia (TAAZ) was an early partner in the MATEP tourism program. Well aware of changing needs in the industry and the challenges facing its membership, TAAZ leaders looked to MATEP for technical expertise in new products and in developing international markets. Historically operating as ticket agents, enterprises were now faced with the need to develop other income-generating services. MATEP assisted TAAZ members in shifting their business focus from ticketing and reservations to becoming fully fledged tour operations with ground logistics capabilities.

Through Internet Marketing Training, Trade Show Preparation Training, and Support for Attending Fairs and Road Shows, MATEP assisted TAAZ and its members in knowing what is needed to derive success from participating in travel fairs. A key lesson learned by TAAZ members has been the importance of targeting the correct market, whether at the domestic, regional or international level.

Marketing Zambia as a premier tourist destination was addressed in North America by participating in U.S./Zambia 'road shows,' in Europe/Asia by promotion of Zambia at World Travel Market (WTM) and the region through INDABA. . TAAZ members are in a better position to access other markets, especially targeting business/leisure travel, and have a broader understanding of how to package and present tourism products and deliver services as tour operations.

According to Nickson Chilangwa, TAAZ Chair and owner of the Zambian Safari Company, 'The economic viability of both TAAZ and its member organizations has increased since the MATEP program began.' Members have shifted from single vision to multiple approaches, gained operational skills and enhanced professional expertise. The organization has grown from 33 members in 2003 to 42 members in 2009. According to Mr. Chiangwa, this is proof that the association provides value to its members.

FINANCE COMPONENT

MATEP's objective with respect to finance is to work with the formal sector and exporting enterprises in Zambia to introduce new modes of financing and new ways of working together in order to increase the flow of financing to exporting and tourism enterprises. The Finance Component of MATEP has three principal activities:

(i) Disbursement, on a revolving fund basis, of $1 million for the provision of short-term export credit – implemented through the ZATAC Investment Fund (ZIF). Under this facility, export-oriented and tourism companies receive short-term loans of up to one year for trade finance and other working capital requirements. This facility also includes loans to support participation in international exhibitions where a company is able to repay the participation loan through proceeds from sales of exhibited products. The general limit of MATEP financing is $250,000 per client.

(ii) Disbursement, on a revolving fund basis, of $1 million for the provision of medium term export financing - by creating a new Medium-term Investment Fund (MIF). Under this facility, export-oriented and tourism companies receive medium-term loans of up to three years to support capital investments in plant and equipment as well as to support working capital requirements. This facility is designed to promote increased access to commercial financial markets for MATEP clients.

(iii) Introduction of appropriate Discount Credit Authority (DCA) instruments. The MATEP Finance Component assisted in the analysis in the financial sector and the design, where appropriate, in DCA initiatives in order to increase access to finance for export-oriented and tourism companies through risk sharing between participating lending institutions and the US Government.

MATEP's Finance Approach

The Finance Component of MATEP is designed to strengthen the private sector and contribute positively toward the development of financial services for export-oriented agribusinesses and tourism SMEs. As such, the following principles guide MATEP's work:

- MATEP financial services strictly adhere to the principle not to distort, but to complement commercial financial services. As such, MATEP credit facilities are priced in line with prevailing lending rates in the commercial banking sector. Pricing is based market surveys periodically conducted by MATEP. It is because of this that financial institutions have found MATEP to be a compatible partner in structuring and leveraging partnerships with them.

- Where required and feasible, MATEP provides financial services to its private sector clients in manner that uniquely integrates these services with technical assistance in business plan preparation, market information and market development services.

- In selecting its clients, MATEP emphasizes the following success criteria:
  - Risk management
  - Profitability
  - Socio-economic impact of investments
  - Sustainability beyond MATEP financing

In order to identify suitable clients for its financial services, MATEP has followed an outreach strategy that emphasizes networking and return clients. Advertising has not been adopted as an option in order to contain demand of MATEP's financial services.

Performance Review

Since inception, MATEP has disbursed $3,353,642 in short-term and medium term facilities to export oriented agribusinesses and tourism businesses. The disbursements include ZATAC loans initiated by MATEP. Forty-four (44) loans have been disbursed servicing the following 17 sub-sectors: Canned horticultural produce, processed beef, bio-coal, handicrafts, horticulture (cucumbers), honey, wet blue leather, molasses, groundnuts, organic cotton, paprika, poultry, seed, soy cake, textile/garments, tourism lodging, and trade shows.

Of the total loans disbursed $316,514 worth of client loans have defaulted. The defaulting loan total is comprised of $150,000 loaned to Cheetah Ltd, $40,000 to Cris-b-Cucs, $71,000 to Global Export, $37,285 to Kabwe Tannery and $18,229 to Rijay Farm. Much of this default total is in the process of being recovered through ZATAC lawyers. Of the current loan portfolio, 87% of the loans are performing, representing 74% of current loan portfolio funds.

The total number of loans and the total value disbursed are both slightly below target levels, 44 loans instead of 45 and $3,353,642 disbursed instead of $3,500,000, respectively. The low number of loans is due to the fact that large loans – over $200,000 - accounted for a significant proportion of total capital disbursed. Less capital was available for additional loans. Also, a number of loans required rescheduling and/or restructuring which has served to reduce revolving capital available for new lending. Further, $200,000 was withdrawn from funds available for Investment Fund lending and reallocated for Market Access component activities. In terms of loan performance, the figure of 87% of loans performing is above the target of 80% while the value of 74% of portfolio performing is below the 80% target.

Performance in short-term and medium-term lending and in leveraging is as follows:

- **Short-Term Credit to Export-Oriented Agribusinesses and Tourism Enterprises:** Total disbursements made under the MATEP/ZIF Short-Term Credit Facility to date stand at $2,416,320, including disbursements initiated by MATEP as ZATAC Ltd loans. Subsectors supported with short-term loans include canned horticultural produce, handicrafts, horticulture (cucumbers), honey, wet blue leather, molasses, groundnuts, organic cotton, paprika, poultry, soy cake, textile/ garments, and trade shows.

- **Medium-term credit for export and tourism enterprises:** Total disbursements made under the MATEP/MIF stand at $ 937,322. Subsectors supported with medium-term loans include processed beef, bio-coal and tourism lodging.

- **Leveraging of Finance**: MATEP's strategy for increasing capital available to its clients includes leveraging resources from commercial financial institutions. This not only increases funds available to clients but goes a long way into introducing MATEP clients to commercial lending sources and building sustainable relationships between the two sides. MATEP has been very successful in leveraging financing. The principal leveraging partners have been the Zambia State Insurance Corporation (ZSIC), the ZATAC Investment Fund, Barclays Bank Zambia Ltd and the Africare Market Innovation and Improvement Facility. The sectors that have benefited from MATEP's financial leveraging have included paprika processing, horticultural canning, honey exporting and groundnuts grading and processing.

Innovation

MATEP has endeavored to be responsive to the various needs of its clients by introducing innovations in the products and services provided. MATEP also offers technical assistance in the preparation of business plans and review of projected financials for promising business concepts. In addition to strengthening financing applications, this support reduces risks associated to project failure. Support usually involves MATEP engaging a business consultant to interactively mentor and coach an entrepreneur to develop a bankable business plan.

The MATEP Investment Fund has supported trade show participation in the region, in Europe and the U.S. Hipego, Kasholwasholwa and African Joy have been beneficiaries of such products. Hipego and Kasholwasholwa attended trade shows in the United States of America (Santa Fe) winning prizes and making notable trade ties that encouraged follow up transaction. Repayments were made in full to MATEP. African Joy through MATEP were assisted to attend trade shows in Italy and also managed to broaden their horizons and linkages on the international scene and market.

The MATEP Investment Fund financed tourism projects such as Chimwemwe Lodge which is the leader in provision of tourism and hospitality in the industry in Petauke in the Eastern province. Chimwemwe Lodge fully repaid its loan facility in the stipulated loan tenure.

With Fallsway Timber, the MATEP financed the purchase of new technology in "Bio-coal" equipment. Now, waste products of sawdust, off cuts, etc. are processed into bio-coal logs and briquettes reducing the need for timber harvesting for charcoal and industrial boilers.

Mukwa Creations, another company that has benefited from MATEP, identified another alternative for sawmilling waste by recycling off cuts of indigenous hardwood into high quality pen casings. Mukwa Creation has been able to win supply contracts in the U.S. and some of the most prominent companies in Zambia.

Remediation

MATEP follows a policy of positive remediation of loan repayment problems affecting its clients. Business planning and market development technical assistance are usually a first step in risk management. Periodic monitoring of clients is undertaken to catch problems early and work with clients in finding solutions to emerging problems. Loan repayment advisory notes are sent to clients regularly from two months before their debt servicing is due. MATEP ultimately institutes legal recourse towards loan recovery where appropriate. Debt rescheduling has been necessity for many of the MATEP loans.

The major remediation actions over the period included continuation of legal remedies to recover delinquent trade finance loans across the client base. To this effect MATEP and ZATAC engaged Freshpikt to work out a strategy to benefit both the client and the revolving fund with Freshpikt Ltd rescheduling their loan obligation and consolidating their loan with that of ChoiceNuts, acquiring all the assets of ChoiceNuts which has ceased operations. Freshpikt is also purchasing the Cheetah Paprika Powder Mill that was repossessed by MATEP/ZATAC with the purchase amount being added to the consolidated loan. The consolidation has been signed by all parties concerned and is being implemented by the MATEP/ZATAC legal team.

The lawyers have successfully been able to work out repossession of the proposed security from Rijay Farms in the form of the Mitsubishi Canter light truck and the small holding situated in Lusaka East. The truck is yet to be move to ZATAC for safe keeping until buyers can be found to liquidate both the Land property and the vehicle.

Global Export Bureau has also surrendered the proposed security to liquidate the facility obtained. This has been facilitated and concluded by the lawyers. The amount involved in this case is $71,000.

Kabwe Tannery owed $37,285 and is a company that has been bought by The TATA Group. The Zambia Development Agency managed the sale and is in the process of paying off debts of Kabwe Tannery. MATEP and ZATAC have been in constant communication with the ZDA and progress is deemed a high possibility.

Mpongwe Bulima owes $2,740 and has also been contacted to make full repayment of the outstanding amount with the help and influence of the ADF project that is supporting and working in very close ties with the cooperative. The chairperson, realizing the ties between MATEP and ADF regarding the cooperative, has committed to make full payment.

Fallsway Timber ($250,000), Nangaunozye ($12,500) and African Joy ($20,000) are also companies that owe for the facilities they obtained and are also being engaged to find amicable ways to meet their repayment plans. A client Cris-B-Cucs issued with $40,000 has deserted the premises they occupied on lease leaving the fund with no legal option to pursue.

Fund Sustainability

As the MATEP project nears completion, the value of the MATEP Investment Fund has been grown by over US$620,863, net of loan losses, through interest earned on the loans disbursed. It is proposed that Investment Fund assets be granted to ZATAC in order for ZATAC to continue revolving operations of the fund in the future. The fund has been efficiently managed by ZATAC, Ltd. since the start of the project and as a Zambian company, ZATAC has an important presence both in the SME finance sector and in the smallholder-oriented agriculture sector. Further, many of the Investment Fund assets are in the form of performing loans which will continue to be repaid over time. ZATAC staff, with good knowledge of Investment Fund clients as well as the history and performance of each loan asset are best placed to maximize recovery of Investment Fund assets. An audit report was conducted by GeorgeBaison & Obed giving favorable comments on ZATAC's managed the Investment Fund. Copies of the Audit Report are held at both ZATAC Ltd and MATEP.

SUCCESS STORY

RECYCLED FUEL ENERGY – BIO COAL

Fallsway Timber is a business involved in manufacturing furniture and building materials from hardwood timber. The Fallsway Timber sawmill and factory is located 28 km from Livingstone in Southern province along Nakatindi road leading to Kazungula and Sesheke districts.

In the course of MATEP visits with Fallsway Timber in promoting their export operations, discussions turned to how to handle the large amount of waste material produced at the Fallway sawmill. This eventually led to a Fallway financing application to MATEP's Investment Fund to introduce bio-coal production in its operations. With machinery imported from India, Fallsway now takes all of the sawmill's sawdust, off-cuts and wood scraps, along with harvesting and manufacturing, and compacts them into compressed logs that can be used for industrial furnaces and as a charcoal substitute in households.

For Fallsway Timber, the company now has a new product for sale. Since it is produced with minimal input costs, biocoal production adds to Fallway's overall profitability. Biocoal production also deals with a significant waste problem that had developed at the sawmill. The waste was not only a dangerous fire hazard at the plant, but it was expensive to remove and was an environmental problem when dumped in the forest.

The management team of Fallsway Timber is promoting its biocoal product countrywide and for export to the region. As a substitute for charcoal, Fallsway biocoal will reduce deforestation by reducing pressure on the forests from charcoal burners. As a substitute in industrial furnaces, biocoal will reduce the need for commercial wood harvesting and coal mining.

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SUCCESS STORY

Leveraging Development Finance

Ubuchi Liquid Gold, natural forest honey

Various Traditional uses of groundnuts

Groundnuts in-shell

MATEP successfully leveraged a total of US$465,500 for two Zambian SME's through the Africare-managed Market Improvement and Innovation Facility (MIIF), a development finance facility funded by the World Bank. MIIF provides matching grants aimed at improving market access with innovative approaches that benefit smallholders-oriented agricultural value chains.

The MIIF Facility, a $3.0 million fund, began "operations" in 2007 but by the beginning of 2009 had virtually no activity. MATEP met with Africare to propose models that could better enable Zambian SME's to access MIIF funds.

A major constraint was that MIIF required cost sharing on the part of recipients and that this cost share was required to be paid in cash. SME assets devoted to the project and/or in-kind services were not eligible as cost sharing contributions. Typically, SME's would not have cash in the amount of tens or hundreds of thousands of dollars to meet this cost sharing requirement.

Most of the SME's have assets, such as buildings and equipment, but the MIIF requirement meant assets would need to be liquidated in order to raise the cost share funds. Not a very practical solution. MATEP instead proposed a model in which SMEs would be permitted to use their assets as collateral for loans and loan proceeds would in turn be used for the cost-share match – something that had previously been prohibited by MIIF regulations. MATEP further agreed to provide technical support for developing concept notes and business plans for SME's applying for the MIIF.

The MIIF was changed to accommodate the MATEP model and so far, MATEP has assisted nine SMEs with their MIIF submissions. Two proposals have been approved for MIIF disbursement in the groundnut and honey value chains. Total value of these disbursements will reach $465,500

MATEP continued to working with SME clients to enable them access the MIIF fund and other sources of finance and now has a number of other applications in the MIIF pipeline. The above intervention demonstrates the kind of approach required to access SME finance in Zambia.

HIV/AIDS COMPONENT

HIV/AIDS is a major threat to Zambia's continued export growth and MATEP has integrated HIV/AIDS prevention activities into a number of its activities. More specifically, funds received from the President's Emergency Program for AIDS Relief (PEPFAR) were utilized to conduct community outreach HIV/AIDS prevention programs that promote abstinence and/or being faithful. MATEP's HIV/AIDS prevention programs were implemented through sectoral business associations with the aim of building capacity in the associations for them to deliver HIV/AIDS services to their membership and their employees. This program strengthened associations' HIV/AIDS capabilities, benefited individual workers through training and the delivery of HIV/AIDS prevention messages, assisted exporting companies to maintain their productivity and competitiveness in their operations and helped those companies demonstrate to international buyers that they have responsible workplace programs for employees.

Initially, MATEP had intended to implement its HIV/AIDS activities through established HIV/AIDS service providers in Zambia. After developing the outlines of our program, MATEP approached a number of these HIV/AIDS service providers to contract for implementation, but when found them unwilling to re-orient activities to the specific needs of MATEP's exporting clients. An objective from the start was to target MATEP's HIV/AIDS activities specifically on our exporting clients and to do that we based our activities on a successful program that had previously been implemented with South African exporters. Rather than accept a generic program from the established HIV/AIDS providers, MATEP decided to develop implementation capacity for its program in-house.

MATEP's HIV/AIDS program is divided into four stages: Sensitization, Mobilization and Coordination, Training and Rollout:

Sensitization: MATEP worked with private sector associations and private companies to help company management understand and appreciate the risks posed by HIV/AIDS. This includes risks to the health of their workforce as well as the impact of HIV/AIDS on the company's productivity and competitiveness.

Mobilization and Coordination: Working with Human Resource managers and workforce supervisors and foremen, prospective trainees were identified from the workforce and approaches developed for reaching the workforce with HIV/AIDS prevention messages that would minimize disruptions to company operations.

Training: Selected staff then were trained as Awareness Educators, a two-day training providing the information and skills necessary for delivery of HIV/AIDS prevention messages to the full workforce of a company. Training topics included: defining HIV and AIDS, modes of HIV transmission, modes of protection against infection, progression of HIV infection, impact of HIV/AIDS on community, household etc., Voluntary Counseling and Testing (VCT), Positive Living and HIV Treatment. The final part of Awareness Educator training was for each trainee to develop a roll-out program for delivering the HIV/AIDS messages and literature to his or her co-workers. These roll-out programs were coordinated with the Human Resources managers of respective companies;

Roll out: Then roll-out started with Awareness Educators responsible for direct outreach to about 120 workers. Roll out involved having group or individual discussions on HIV/AIDS prevention with workmates and providing brochures on a number of HIV/AIDS-related topics. These brochures were translated into the local languages Nyanja, Bemba and Tonga as well as available in English. Those receiving prevention messages were then responsible for passing messages on to between two and five additional persons in their families or surrounding communities. MATEP worked closely with the Human Resource managers throughout the rollout to ensure that programs stay on track, that message delivery is effective and that monitoring data is properly collected.

In the last years of the project and with additional funding provided by PEPFAR, MATEP expanded its HIV/AIDS prevention programs adding recruiting and training District-level coordinators and training of trainers who in turn conducted the Awareness Educator training.

The principal implementing partner through which MATEP implemented its HIV/AIDS prevention programs were the Zambia Export Growers Association, the Hotel and Caterers Association of Zambia, the Zambia Chamber of Small and Medium Business Associations, the Ministry of Labour and Social Security, the Central Statistics Office and Michigan State University.

Zambia Export Growers Association (ZEGA)

ZEGA was formed as a non-profit association to promote the interests of growers wishing to export horticulture and floriculture products. With a membership of about 25 farms, exports mostly to Europe and South Africa have a gross sales value of over US$62 million annually. ZEGA's aims are chiefly: to provide an efficient and adequate air freight service to exporters, to co-ordinate the buying of inputs, to provide technical support services and training to members, to advise on sources of finance, to assist with information on marketing opportunities and to lobby Government and other bodies on behalf of grower-exporters. The sector directly employs about 12,000 workers.

ZEGA's CEO identified the high prevalence of HIV/AIDS as a major constraint to farms and to the international competitiveness of Zambia's horticulture/floriculture export industry. This led to discussions with MATEP and the Southern Africa Trade Hub developing MATEP's first HIV/AIDS prevention activity. ZEGA previously had integrated HIV/AIDS in its newly approved Code of Good Practice, a step in the right direction, but more was required. MATEP and the Trade Hub designed a program to strengthen the capacity of ZEGA so that the association was able to deliver HIV/AIDS services to its membership. The program was adapted from activities the Trade Hub HIV/AIDS Advisor has undertaken successfully with South African fruit and vegetable exporters.

Reaction to the program offering by ZEGA member farms was initially mixed. There was considerable enthusiasm among some members, but others had little interest. Focusing on those with interest for the program, the first year of MATEP's HIV/AIDS activities focused on 13 ZEGA farms. As word spread among ZEGA members about implementation experiences on those initial 13 farms, members who were not among the 13 approached MATEP requesting we organize another phase to include them as well. In the end, all ZEGA members had requested and received an HIV/AIDS prevention program from MATEP.

Over the course of the MATEP project, many of these farms returned again and again requesting expanded programs targeting the communities surrounding their farms and new training workers hired in later years. To date, a total of 264 Awareness Educators have been trained on ZEGA farms and 42,829 workers and community members have received HIV/AIDS prevention messages.

Hotel & Catering Association of Zambia (HCAZ)

HCAZ, which was founded in 1963, is a non profit organization and has members in all the nine provinces of Zambia. HCAZ is the oldest and largest member organization in the tourism industry and its member employ most of individuals working in the industry. HCAZ has 250 members including hotels, motels, lodges, guesthouses, restaurants, fast food outlets, casinos, nightclubs and associate members.

After a presentation at the HCAZ Annual General Meeting on MATEP's HIV/AIDS activities in October 2006, HCAZ approached MATEP to design a capacity building, training and roll out program for their industry as well, and also to assist HCAZ in developing a sector wide HIV/AIDS policy. MATEP's HIV/AIDS prevention program for HCAZ largely followed what had been developed for ZEGA members, with adaptations as appropriate for dealing with a different industry,

different sizes and locations of enterprises and different types of employees than with ZEGA farms. Over the course of two years, a total of 380 Awareness Educators were training in MATEP's HCAZ HIV/AIDS prevention program and 11,212 workers and community members received HIV/AIDS prevention messages.

At the same time prevention messages were rolling out, MATEP conducted a series of meetings and workshops with the HCAZ Executive Committee and provincial-level HCAZ committees from throughout the country to design an HCAZ HIV/AIDS Workplace Policy. Led by MATEP's HIV/AIDS Advisor, the process started with a brainstorming workshop and continued with workshops for drafting, reviewing and revising the draft Workplace Policy. After vetting by all HCAZ committees in Zambia, the final policy was officially launched on 9th September, 2009. MATEP also developed a policy template that individual HCAZ member establishments can adapt and adopt for their individual company policies..

Mazabuka District Business Association (MDBA)

As its name implies, MDBA is a district-level business association in Mazabuka District of Zambia's Southern Province. Initially, MATEP was working with MDBA through its Market Access component providing exporter training, but after hearing of MATEP's work with ZEGA and HCAZ, the association asked if MATEP would design an HIV/AIDS prevention program for them as well. MDBA has two categories of members: individual entrepreneurs, mostly based in Mazabuka town; and group members, mainly farmers' groups comprised of rural-based farmers. In response to MDBA's request MATEP again adapted its HIV/AIDS programs to meet new requirements, this time of the MDBA membership. Working with far-flung rural farmers introduced new challenges to MATEP which were met largely by working through the existing DBA and farmer group structures. Doing so helped to strengthen not only the groups' capacity for delivering HIV/AIDS prevention messages but also capacity to deliver other member services as well.

MATEP's MDBA HIV/AIDS prevention program was rolled out in three phase in 2008, 2009 and 2010. In total, 768 Awareness Educators were trained and 18,371 individuals received HIV/AIDS prevention messages. With its MDBA program, MATEP began requiring direct recipients of HIV/AIDS prevention messages and literature to in turn pass prevention messages on to friends, family and associates. An additional 85,000 individuals are receiving messages in this way.

Zambia Chamber of Small and Medium Business Associations (ZCSMBA):

ZCSMBA is an apex body comprised of 70 business associations countrywide. Membership is open to any business association that has a membership of 50 or more different micro, small or medium scale enterprises. After the success of MATEP's HIV/AIDS program with one of its member associations in Mazabuka, ZCSMBA asked that MATEP extend its program to cover additional DBAs in Zambia. MATEP did so in two phases: first with six districts in Eastern Province (Chipata, Chadiza, Katete, Lundazi, Nyimba and Sinda); and then with another four districts, two in Eastern Province (Petauke and Malambo) and two in Central Province (Kabwe, and Mumbwa).

In order to handle the logistics and the large numbers of targeted beneficiaries in the districts, MATEP adapted the approach used for the MDBA program and brought on District Coordinators and Trainers of Trainers to train the Awareness Educators. Both the District Coordinators and the Trainers of Trainers received week-long Peer Education training followed by specific instruction for implementing the MATEP HIV/AIDS prevention program. After training, the District Coordinators together with the DBA's were largely responsible for roll out in their respective districts, though with close supervision by MATEP's Senior Trainer and HIV/AIDS Coordinator.

In total 3,853 Awareness Educators were trained during these phases of MATEP's HIV/AIDS program and a total of 342,075 individuals will be direct recipients of HIV/AIDS prevention messages. Direct recipients will pass prevention messages on to a further 685,000 individuals.

Ministry of Labour and Social Security

After reading about MATEP in the PEPFAR Country Operation Plan for 2007, the Permanent Secretary Previously in the Ministry of Labour and Social Security wrote the US Embassy expressing interest collaborating with MATEP in ministry HIV/AIDS activities. After discussions with the ministry exploring a number of possibilities, collaboration focused in on: discussions with the PS, MATEP agreed to collaborate with the ministry in:

- Formulating an HIV/AIDS Workplace Policy for Zambian businesses,
- Developing an HIV/AIDS Policy Checklist for Zambian companies which can be used by inspectors during their inspection exercise with companies, and
- Training ministry staff and Labour Inspectors on HIV/AIDS policy issues and HIV/AIDS Prevention and Awareness. There are 23 labour offices countrywide and 50 labour inspectors.

MATEP conducted a workshop in late 2007 for 30 labour inspectors in order to draft an HIV/AIDS workplace policy checklist and train labor inspectors as HIV/AIDS Awareness Educators. The inspectors who were trained, in turn, delivered HIV/AIDS awareness and prevention messages to 2,573 individuals by the end of the year.

MATEP organized a follow up workshop in April 2008 for MLSS officers to finalize the HIV/AIDS policy checklist and conduct refresher Awareness Educator training. After reviewing the HIV/AIDS policy checklist, the MLSS Permanent Secretary confirmed the checklist would be used in their inspection exercises of all private sector establishments. Also, during the year labour inspectors delivered HIV/AIDS awareness and prevention messages to individuals during their inspections of private sector companies in Zambia.

Central Statistical Offices (CSO)

MATEP collaborated with CSO and incorporated HIV/AIDS awareness and prevention message delivery in the Labour Force Survey conducted by CSO which targeted 30,000 households in all the nine provinces of Zambia. The format for message delivery was that after enumerators had finished collecting the labour force survey data from respondents, they would then turn tables and deliver HIV/AIDS information and literature to the respondent. MATEP first trained 15 CSO Master Trainers on HIV/AIDS prevention and awareness at a training workshop in Lusaka. The Master Trainers, in turn, were responsible for training 150 supervisors and 750 enumerators who would be conducting the labour force survey.

Michigan State University (MSU)

Michigan State University, MATEP's subcontractor focusing on value chain research, conducted an Urban Consumption Survey and a Vegetable Marketing Survey over the course of the project. As with the CSO Labour Force Survey, enumerators were trained for delivering HIV/AIDS prevention messages at the conclusion of collecting data from survey respondents. For the Urban Consumption survey, a total of 55 enumerators in Copperbelt, Lusaka, Luapula and Northern provinces were trained as Awareness Educators. Each enumerator visited 72 households reaching a total of almost 8,000 individuals with HIV/AIDS prevention messages and literature. Two enumerators were trained as Awareness Educators for the Vegetable Marketing survey who in turn delivered HIV/AIDS prevention messages and literature to 400 respondents.

Conclusions

MATEP's HIV/AIDS prevention programs surpassed expectations at the beginning of the project by a wide margin. Original PEPFAR funding for MATEP amounted to $200,000 with which MATEP committed to meet targets of 70 individuals trained and 30,000 individuals reached with HIV/AIDS prevention programs. Responding to MATEP's successes with program implementation, PEPFAR made additional funding available reaching a total of $1,340,000 (almost seven times the original amount) over the life of project. With those funds, MATEP trained a total of 6,351 individuals (over 90 times the original target) and is delivering HIV/AIDS prevention messages to over 1.1 million individuals (almost 40 times the original target).

HIV/AIDS Program Totals	
Trainees	6,351
Direct message recipients	426,469
Indirect message recipients	716,690
Total trainees, direct and indirect message recipients	1,149,510

MATEP's approach of partnering with private sector associations in the design and roll out of its HIV/AIDS prevention programs was a key to its success. In the process, these partnerships served to strengthen these associations themselves as we jointly developed services in high demand from association membership. In every instance, with every association, with every private firm, with every trainee and every message recipient, we received only positive feedback on MATEP's HIV/AIDS programs. A limitation MATEP encountered was that with "A/B Prevention" PEPFAR funding, MATEP was unable to respond to requests from partners for assistance in areas of VCT, ART, condoms, etc. Where possible, however, MATEP effectively linked partners to other service providers with broader lines of HIV/AIDS funding.

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SUCCESS STORY

HIV/AIDS PREVENTION AND ROSE EXPORTS

HIV/AIDS Training Session

Sorting export quality flowers

Protective wrapping of roses before export

The high prevalence of HIV/AIDS in Zambia has not spared the export industry. MATEP, in its efforts to promote Zambian exports, identified the impact of HIV/AIDS as a major constraint to maintaining competitiveness and to growth in the export industry. With funds received from PEPFAR, MATEP developed a program to conduct community outreach HIV/AIDS prevention programs that promote abstinence and/or being faithful among the workers of exporting clients.

According to a rose exporting client, Khal Amazi, "The results of MATEP's HIV/AIDS activities on our first farm are excellent; impressive to our overseas buyers and more business for us due to our Social Corporate responsibility efforts on HIV/AIDS. This encouraged us to introduce the program on our other two farms that did not participate in MATEP's initial HIV/AIDS program with the Zambia Export Grower's Association (ZEGA) members."

MATEP's HIV/AIDS prevention activities are designed to integrate well into clients' business activities. They fit in with company needs and schedules, paying particular attention to avoid disrupting production. This helps businesses to maintain their productivity, address human resource needs of employees as well as demonstrate the company's responsible social programs.

David Tembo, the Human Resources Manager at Khal Amazi noted that, "MATEP's HIV/AIDS activities brought a positive change to our co-workers and surrounding communities. People openly discuss the dangers of HIV/AIDS, want to know their status, and more importantly there is a significant reduction in vices such as casual sex and unfaithfulness among our farm workers."

Mr. Dodd Lance, the farm's export's manager adds, "Other horticultural business in neighboring countries are succeeding in their fight against HIV/AIDS due to their Governments' efforts. We are proud to say our farms and communities are fighting the scourge with the support of MATEP and PEPFAR funds. We are optimistic that with their efforts we will continue to impress our customers and increase our exports."

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SUCCESS STORY

No more HIV/AIDS myths in Mumbwa villages

Remote areas of rural districts are typically missed in service delivery programs, such as dissemination of HIV/AIDS information. This was certainly the case in Mumbwa District in Central Province. MATEP's HIV/AIDS prevention program with the Mumbwa District Business Association (MDBA) instead targeted small and medium entrepreneurs (SMEs) in remote areas of Mumbwa District. It was clear during implementation of the program that the further away one goes from the center of the district, the more poorly informed people are on HIV and AIDS issues.

According to Christopher Chinyanta the provincial representative for MDBA, "It was amazing, especially in rural areas, to learn that masses of people are not well informed about the subject matter. All along I had been thinking that there is no individual in the district who is not aware of the basic facts about HIV and AIDS. But to the contrary, despite a number of organizations in the district preaching about it there is a high rate of unwanted traditional practices".

MATEP found a high degree of interaction among the participants during HIV/AIDS sensitization sessions, an openness about lack of knowledge and lots of probing for more information. Major issues raised were the negative impact of polygamous marriages and usage of different traditional herbs especially by the women.

"Alarmingly, only about 10% to 15% of the youth attending the sessions knew how to use a condom correctly notes Mrs Ruth Michelo the DBA Chairperson. Ms Michelo adds that "MATEP's HIV/AIDS program has contributed to saving and/or prolonging of lives of people who are now empowered with basic information. The material received was so educative. We received a lot of support from the District Aids Task Force Coordinator's office when it came to distribution of HIV/AIDS materials and sensitization programs."

MATEP/ MDBA HIV/AIDS training, along with the Administrator and the District AIDS Task Force Coordinator in Mumbwa

Participants of an HIV/AIDS Awareness session in a Mumbwa village

ANNEX 1: PERMORMANCE MONITORING PLAN

MATEP PERFORMANCE MONITORING PLAN INDICATORS

	INDICATOR		TARGET and ACTUAL					Original target
			FY06	FY07	FY08	FY09	End of Project*	
	Trade/Export-related Indicators							
1	Value of ANR-based exports, including tourism receipts, $M	Target	425	465	518	620	883	550
		Actual	494	582	596	798		
	1.1 Value of ANR-based exports, $M	Target	275	305	348	420	669	370
		Actual	323	402	405	591		
	1.2 Value of estimated tourism receipts, $M	Target	150	160	170	200	214	180
		Actual	171	180	191	207		
2	Value of export/tourism transactions reported by assisted firms, $M	Target	20	52	90	100		78
		Actual	40	58	94	78		
	3.1 Value of export transactions reported by assisted firms, $M	Target	19	50	60	75		75
		Actual	39	55	71	56		
	3.2 Value of tourism transactions reported by assisted firms, $M	Target	1	2	30	25		3
		Actual	1	3	23	22		
3	Number of export/tourism transactions completed as reported by assisted firms	Target	1,000	6,800	34,200	46,000		9,100
		Actual	4,884	13,637	46,781	53,504		
	2.1 Number of export transactions reported by assisted firms	Target	750	3,800	4,200	6,000		4,600
		Actual	3,498	3,240	5,793	4,304		
	2.2 Number of tourism transactions reported by assisted firms	Target	250	3,000	30,000	40,000		4,500
		Actual	1,386	10,397	40,988	49,560		
4	Value and volume of exports of targeted commodities reported by assisted firms							
	4.1 Paprika/Chili	Value, $'000	485	1,050	635	920		
		Volume, tons	450	932	460	576		
	4.2 Horticulture	Value, $'000	20,105	36,446	39,812	30,257		
		Volume, tons	4,292	5,644	8,944	7,290		
	4.3 Coffee	Value, $'000	12,900	8,300	8,749	6,088		
		Volume, tons	6,000	3,483	3,324	1,900		
	4.4 Honey	Value, $'000	510	520	273	505		
		Volume, tons	300	271	174	181		
	4.5 Seed	Value, $'000	1,524	4,572	15,348	14,893		
		Volume, tons	1,459	4,858	15,929	17,197		
	4.6 Livestock products	Value, $'000	2,422	1,979	2,963	2,205		
		Volume, tons	1,086	2,121	3,680	744		
	4.7 Cotton/textiles	Value, $'000	25	145	222	98		
		Volume, tons	1	12	17	2		
	4.8 Maize	Value, $'000	-	-	-	-		
		Volume, tons	-	-	-	-		
	4.9 Groundnuts/Beans	Value, $'000	-	1,023	579	213		
		Volume, tons	-	1,300	663	421		

	INDICATOR		TARGET and ACTUAL					Original target
			FY06	FY07	FY08	FY09	End of Project*	
5	Value and volume of intra-regional exports of targeted commodities reported by assisted firms							
	5.1 Paprika/Chili	Value, $'000	325	765	225	399		
		Volume, tons	250	656	365	388		
	5.2 Horticulture	Value, $'000	5,680	2,591	4,978	1,831		
		Volume, tons	1,187	612	1,571	597		
	5.3 Coffee	Value, $'000	4,515	2,656	2,088	-		
		Volume, tons	2,100	1,115	793	-		
	5.4 Honey	Value, $'000	-	-	5	11		
		Volume, tons	-	-	1	7		
	5.5 Seed	Value, $'000	1,524	4,572	15,210	14,893		
		Volume, tons	1,459	4,858	15,818	17,197		
	5.6 Livestock products	Value, $'000	1,644	383	961	463		
		Volume, tons	993	229	1,034	19		
	5.7 Cotton/textiles	Value, $'000	23	136	198	94		
		Volume, tons	1	11	17	1		
	5.8 Maize	Value, $'000	-	-	-	-		
		Volume, tons	-	-	-	-		
	5.9 Groundnuts/Beans	Value, $'000	-	1,023	796	213		
		Volume, tons	-	1,300	938	421		
6	Value and volume of purchases from smallholders of targeted commodities reported by assisted firms							
	6.1 Paprika/Chili	Value, $'000	176	125	34	29		
		Volume, tons	114	85	31	47		
	6.2 Horticulture	Value, $'000	166	318	565	277		
		Volume, tons	546	164	333	314		
	6.3 Coffee	Value, $'000	16	15	14	-		
		Volume, tons	8	6	5	-		
	6.4 Honey	Value, $'000	200	113	379	302		
		Volume, tons	400	210	331	94		
	6.5 Seed	Value, $'000	450	836	409	199		
		Volume, tons	1,564	2,590	622	474		
	6.6 Livestock products	Value, $'000	428	1,181	1,614	1,822		
		Volume, tons	965	3,335	1,552	1,468		
	6.7 Cotton/textiles	Value, $'000	-	-	-	6		
		Volume, tons	-	-	-	-		
	6.8 Groundnuts/Beans	Value, $'000	-	340	1,000	505		
		Volume, tons	-	1,300	1,859	740		

	INDICATOR			TARGET and ACTUAL					Original target
				FY06	FY07	FY08	FY09	End of Project*	
Finance-related Indicators									
7	Value of finance/capital accessed reported by assisted firms, $M, cumulative	Total	Target	2.0	5.0	10.0	18.0	19.1	15.0
			Actual	5.4	8.2	15.8	18.8		
8	Number of MATEP Investment Fund loans, cumulative, disaggregated by gender	Total	Target	15	25	45	45	45	60
			Actual	15	26	33	41		
		Female	Target	5	8	15	15	16	20
			Actual	3	5	10	14		
9	Number of performing loans in the current loan portfolio - percentage, disaggregated by gender	Total	Target	80%	80%	80%	80%	87%	90%
			Actual	71%	85%	80%	85%		
		Female	Actual	50%	90%	87%	88%	90%	
10	Value of MATEP loans, disaggregated by gender, $'000, cumulative	Total	Target	1,200	2,000	3,000	3,500	3,353	3,500
			Actual	1,053	2,592	3,050	3,274		
		Female	Target	300	600	900	800	544	1,100
			Actual	211	486	557	494		
11	Value of performing loans in the current lending portfolio - percentage, disaggregated by gender	Total	Target	90%	90%	90%	80%	74%	90%
			Actual	89%	90%	81%	73%		
		Female	Actual	90%	96%	93%	64%	69%	
BDS and HIV/AIDS-related Indicators									
12	Number of clients/entrepreneurs receiving BDS	Total	Target	25	55	65	65	81	65
			Actual	48	73	68	81		
13	Number of people reached with HIV/AIDS A & B outreach programs (*)	Total	Target	30,000	15,000	15,000	25,000	437,000**	15,000
			Actual	30,154	17,179	15,934	45,028		
		Female	Actual	16,210	7,539	8,306	23,686		
14	Number of people trained for delivery of HIV/AIDS prevention programs	Total	Target	70	100	100	1,000	6,225**	35
			Actual	132	342	285	1,696		
		Female	Actual	62	138	152	1,014		
Training-related indicators									
15	Number of people completing training seminars (in export skills, policy reform, tourism, HIV/AIDS, etc.)	Total	Target	50	400	400	400	9,729**	400
			Actual	364	871	740	2,292		
		Female	Target	20	160	160	160	5,674**	160
			Actual	183	341	343	1,375		

* Data for Indicator #1 are for end of CY2009. Data for Indicators #2-6 are from Client Surveys, the last of which was conduced in September 2009. Data for remaining indicators are from project records.

** MATEP received a large increase in PEPFAR funding for its HIV/AIDS programs in December 2009.

**The figure reported for Indicator #13 is only for Number of People reached "directly" with HIV/AIDS prevention messages. A further 736,690 people were reached "indirectly" by those receiving the primary prevention messages. The total number of people reached directly and indirectly is 1,180,751.

ANNEX 2: REPORTS AND DOCUMENTS

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- Choice Nuts Ltd
- Kafakumbe Wood Processing Centre
- Tilapia Enterprises
- Glymo Enterprises
- African Joy Ltd
- HIPEGO Ltd
- Eastern Province Farmers Cooperative Ltd
- Farm Foods Africa Ltd
- Ubuchi Capital Enterprises Ltd
- Fresh Produce Export Growers Association
- Lake Best Fisheries
- Mukwa Pens Ltd
- Savanna Beef Ltd

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- Savanna Beef Ltf
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ANNEX 3: SUCCESS STORIES

USAID FROM THE AMERICAN PEOPLE | MATEP MARKET ACCESS TRADE AND ENABLING POLICIES PROMOTING ZAMBIA'S EXPORTS

SUCCESS STORY

Zambia Stand at the Africa Big 7 Show

Exhibitors with the Award for Best Stand 2008

A view of the Zambia-MATEP Stand 2007

Marketing Zambian Coffee at the 2009 Show

MATEP worked closely with clients interested in accessing markets through trade show participation. For three consecutive years, MATEP organized a "Zambia Stand" at the Africa's Big Seven Exhibition in Johannesburg. This annual show, which is the largest food show on the continent, is in its seventh year of operation and attracts over 7,000 visitors from 239 countries exhibiting each year.

Zambian companies which have participated in the stands includie: Forest Fruits, Ubuchi, Mershaerles, Zambia Export Growers Association, Zamseed, Zambia Coffee Growers, Capital Fisheries, Savanna Beef, Yambeji Milling,and SNV – the Netherlands Development Organisation.

Some notable results from three years of participation are: an MOU for the annual supply of canned foods valued at US$6m signed with the Australian buyer (who will also start importing Zambian cherry peppers); Orders for peanut butter and groundnuts valued at US$612,000 over 12 months (with buyers visiting Zambia to discuss procurement of bulk peanut butter and potential business worth US$3m); and the MATEP – Zambia Stand winning the "Best Stand" Prize in 2008. In the words of the organizers;

> *"It just goes to show it is not about how much money you spend, but how you present yourselves; and that's what you and your delegation did!! The judges were very charmed with your exhibitors, the way they presented their goods, the fresh flowers, the friendliness and professionalism."*

Running parallel with the AB7 Show in 2008 was the African Agriculture Trade Promotion Conference during which MATEP made a 30min presentation promoting Zambian products and investment in the agricultural sector. MATEP used this opportunity to present various large scale projects from its clients that were seeking financing. In 2009 MATEP was requested to represent exhibitors from Africa on the Financial and Business Cable Network channel CNBC to talk about how developing nations can use such events competitively to increase their access into international markets.

USAID FROM THE AMERICAN PEOPLE | MATEP MARKET ACCESS TRADE AND ENABLING POLICIES PROMOTING ZAMBIA'S EXPORTS

SUCCESS STORY

African Joy – Woman Entrepreneur Excels

A selection of African Joy Products

Zambia's Commerce Minister Felix Mutati visits the African Joy booth in the MATEP Pavilion during a show

African Joy Booth at a MATEP facilitated exhibition in Namibia

African Joy Limited (African Joy) is a tailoring company that specialises in soft furnishings with African designs for the home. African Joy was established by Joyce Mibenge, an entrepreneur who has a passion for sewing and knitting. Although Joyce trained and worked as a teacher and secretary for many years, she continued to pursue her hobby of creating beautiful clothes and soft furnishings. In 1983 she obtained a diploma in professional sewing from the Richard Robinson Academy in Canada, where she added quilting to her numerous skills and improved on her quality control.

On her return to Zambia, Joyce turned her talent for sewing into a business enterprise and opened a shop in Lusaka's business district. Over the years her product range has increased from pure tailoring to soft furnishings for the home which now makes up her main product stream. When Joyce started looking at options for growing her business, the export market was an obvious first choice but it was highly competitive market and demanded top quality, large volumes and reliability of supply. Expanding to meet this demand would require capital and Joyce was unable to obtain loans from the commercial banks. With MATEP support, a marketing strategy was developed for African Joy and on the basis of this strategy a financing proposal developed. In the end, she successfully applied for a commercial loan from the MATEP Investment Fund which she paid back.

MATEP worked with African Joy on a cost-sharing basis to facilitate participation at trade shows in Namibia, Botswana, Canada, Italy and South Africa. In 2009, African Joy received a large export order with a short turn-around period and MATEP helped with Investment Fund financing again so that they could supply the order. African Joy has seen 40% growth in sales and their marketing image has improved with the development of a catalogue providing product descriptions and pricing information to buyers. The catalogue is available on line and in hard copy.

In 2008 she was awarded the Woman Exporter of the Year Award by Zambia's President.

USAID FROM THE AMERICAN PEOPLE | MATEP MARKET ACCESS TRADE AND ENABLING POLICIES PROMOTING ZAMBIA'S EXPORTS

SUCCESS STORY

Elephant Pepper - U.S. Product Launch

Elephant Pepper

Chili production is mainly by small holder producers

Elephant Pepper Products

"Elephant Pepper sought a Distribution Partner who understood the challenges of exporting from Africa and shared their vision of Trade not Aid, to benefit the sustainable growth for smallholder farmers."

Elephant Pepper makes sauces with smallholder-grown chilies who grow the crop to protect their other crops from elephants – *elephants don't like chilies*. Elephant Pepper has been promoting chilies for warding off crop-raiding animals in Africa since the mid-1990s. Now, with their sister company, African Spices Limited, they purchase large volumes of smallholder chilies, make world class chili sauces and also supply chili mash to the McIllenny Co. for production of Tabasco Sauce. MATEP works with Elephant Pepper and African Spices to introduce the Elephant Pepper brand of sauces into the U.S. market.

MATEP support began in 2005 helping EP/ASL understand the exacting requirements of U.S. speciality food markets. This was followed by support to attend the California Fancy Food Show in San Francisco to identify potential agents or distributors for marketing their products in the U.S. Elephant Pepper products were officially launched at the New York Fancy Food show in 2007, with support from both MATEP and the Southern Africa Trade Hub. Elephant Pepper/African Spices was also helped in negotiations with several distributors in an attempt to find the "right" one for their unique products. In the end, an agreement was reached with the Talier Trading Group - a sales and marketing company promoting specialty foods from developing countries - to provide sales, distribution and representational services for the Elephant Pepper brand in the U.S.

Early success has been achieved in agreements with a number of supermarket chains in the U.S. to carry Elephant Pepper products. Starting this Christmas season, Elephant Pepper sauces can be purchased at Whole Foods, The Food Emporium, King Sooper's and many more outlets. Expected sales for the coming year come to 200,000 units. African Spices also continues production of chili mash for Tabasco and six containers with 120mt of chili mash valued at US$100,000 was exported from Zambia in FY07. Chili mash exports are expected to reach 200mt in the coming year.

On the production side, the number of smallholder farmers growing chilies for African Spices continues to grow. From an initial 250 farmers, the number rose to 350 in 2006, 500 in 2007 and is expected to reach 3000 over the next three years. Assistance in expanding the smallholder production has been provided by USAID's PROFIT project and the European Union.

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SUCCESS STORY
Export Brochu

Sample of the company inserts for the brochure

Zambia's Minister of Commerce & Trade, USAID Zambia Mission Director, ZDA Export Division Director and MATEP Chief of Party at the launch of the web portal and brochure

PRODUCT LIST

	Name	Pack size	Pack # in
1	White rice	1 Kg	50
2	White rice	2 kg	25
3	White Rice	5 kg	10
4	Super Brown Rice	1 kg	50
5	Super Brown Rice	2 kg	25
6	Peanut Butter Crunchy	400g	20
7	Peanut Butter Smooth	400g	20
8	Peanut Butter Crunchy	1.1 kg	8
9	Peanut Butter Smooth	1.1 kg	8
10	Pure Honey	500g	12
11	Yummy Soy	1 kg	25
12	Yummy Soy	1,5 kg	10
13	HEPS	5kg	10
14	HEPS	25 kg	1
15	Raw Ground Nuts	1kg	40
16	Roasted Snack Nuts	50g	300
17	Kabulangeti Beans	1kg	25
18	Serenje Beans	1 kg	
19	Mealie Meal	25kg	

For prices and further inquiries please contact:

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SUCCESS STORY

ZAMBIA'S ONLY CANNING FACTORY

Zambia's Republican President H.E. Rupiah Banda greets USAID Zambia Director Melissa Williams at the official launch of the Freshpikt Factory in March 2010

The Freshpikt Production Line above and products below

The canning factory was originally built in the 1980's, run inefficiently for several years, sold, stripped of machinery, then left abandoned and vandalized. New owners bought the plant, bringing experience and a focus on performance to the company. Assistance from MATEP helped the factory get underway by finishing renovations and purchasing crops for processing. This enabled Zambia to finally process and export its own fruits and vegetables. By the end of 2009 Freshpikt had grown its vegetable and fruit products to 26 product lines, from an initial 12, and was exporting US$1 million worth of product annually.

The factory was "launched" in 2006 and officially "commissioned" in March 2010 by Zambia's President H.E. Rupiah Banda. In his speech, the President made special mention of the critical role MATEP had played at a crucial time for Freshpikt. After exhausting their initial investment, the new owners found doors to further financing closed to them at the crucial time for finishing refurbishment and purchasing crops for processing. MATEP's assistance got the plant up and running. Zambia State Insurance Company then came in with additional financing.

Freshpikt gives Zambians the choice to buy high-quality Zambian canned goods when shopping and the goods are competing effectively against imported products on Zambian store shelves. Most important, though, is the effect Freshpikt is having on Zambian agriculture. Farmers, both small and large, have planted crops for the Freshpikt supply chain. By its second year in operation, Freshpikt was buying US$100,000 of produce per month from smallholder producers alone. Such quantities of agricultural purchases for processing are unprecedented for Zambia.

The factory created 20 new jobs at start, and currently employs over 150 with a projected growth to 500 employees over the next 5 years. But the big impact is at the farm level where thousands of farmers will find employment and higher incomes growing for Freshpikt.

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SUCCESS STORY

Female Entrepreneur Exports to Angola and Botswana

Elly Mwale-proprietor of Glymo Enterprises

A batch of Super Maheu

A 500ml bottle of Super Maheu

In 2008, MATEP started working with Elly Mwale, a female entrepreneur whose company Glymo Enterprises, had been exporting small quantities of Super Maheu to Angola (about 4 mt). She was interested in scaling up her activities, but was unsuccessful until approaching MATEP. Exports into Angola are very difficult and few companies have sustained regular exports into the country. Working with MATEP, Glymo obtained an import order from Angola for 40mt of Super Maheu with a sales value of US$ 80,000. MATEP helped Glymo get the signed contract and negotiated sequential deliveries of 10mt each with payment done before the next delivery. MATEP also assisted with due diligence investigation of the buyer.

Next was the challenge of finance. Ms Mwale had tried on several occasions to obtain a bank loans to assist in expanding operations. Each attempt was unsuccessful. In frustration, Ms Mwale had closed all her bank accounts, stating:

> *"my banks are of no use to me when I need them for my business."*

In the end, MATEP structured a trade finance facility in order for Glymo to supply the initial 10mt batch. This was successfully exported in February 2009, and the facility was promptly repaid after the transaction was completed. As of September 2009, exports of Super Maheu into Angola totaling US$51,000 have been completed. The reminder of the order has been delayed due to ownership restructuring with the manufacturer of Super Maheu in Zambia.

MATEP continued working with Glymo Enterprises and facilitated signing of a supply agreement at the MATEP offices with Starlink (Pty) Ltd of Botswana. The agreement is for supply of various products including: Super Maheu, honey, long life milk, groundnuts, beans and other commodities. The initial order is for 30mt of assorted commodities valued at US$40,000 and this order has been successfully exported to Starlink Ltd. MATEP prepared a trade facility to enable Glymo Enterprises execute this order.

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SUCCESS STORY

Growing the Groundnut Value Chain

Improving rural storage facilities for groundnuts

Regional Groundnut Workshop

Training in grading and sorting to improve quality in the value chain

The EU imports about 450,000mt of groundnuts annually, whilst in the region, South African buyers purchase 12,000mt of raw groundnuts currently, expected to increase to 20,000mt per year over the next 5yrs. Groundnuts are a traditional crop in Zambia, produced almost 100% small scale farmers. In the past export volumes have been large, but due to inattention to quality control and market changes exports have plummeted. Zambian groundnut exports to the EU dropped from over 50,000mt annually in the late seventies and early eighties to around 500mt now.

No new groundnuts varieties have been introduced in Zambia for the last 20 years and varieties currently produced are not in demand. In terms of quality, despite international standards on aflatoxin levels becoming extremely tight, Zambia has done nothing to control aflatoxin contamination. The country has no testing capacity in the country and no shelling, grading and sorting factory to control quality and enhance competitiveness.

MATEP took a leading role, working with industry stakeholders, to revamp Zambia's capacity to export groundnuts. This included organizing a regional groundnut meeting resulting in producers and processors in Zambia, Malawi and Mozambique collaborating jointly target exports of 18,000mt of groundnuts to the EU from 2010-2012. Following this meeting MATEP has worked with growers, traders, processors and exporters of groundnuts to better understand and navigate the challenges in exporting groundnuts and groundnut products to Europe.

MATEP brought major buyers of groundnuts from Europe and South Africa to Zambia to engage with the industry and advise on varieties, markets and quality standards. Following this MATEP assisted the industry form a new Groundnut Industry Association of Zambia (GIAZ).

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SUCCESS STORY

Kabwe Tannery – Buying Again

"If MATEP had not provided financing and market linkages, we would not be operational." – Kabwe Tannery Production Manager

Drums for soaking and liming skins

Batching wet blues after inspection

Loading wet blues into a truck for export

Kabwe Tannery Limited is a Zambian parastatal company that processes raw hides and skins into "wet blue" and finished leather. The company was undergoing severe financial problems before beginning to work with MATEP in 2005. Despite having staff and equipment, Kabwe Tannery did not have the cash to buy animal hides or chemicals for their operations and their plant remained largely idle.

Before ceasing operations, Kabwe Tannery played an important role in Zambia's livestock/leather sector as a principal buyer of hides from smallholder producers and small rural abattoirs. Other Zambian tanneries concentrated more on high quality skins from larger farmers or from their own feedlots. Without Kabwe buying hides as in the past, there was a glut of hides on the market and a collapse of prices.

MATEP helped Kabwe Tannery develop a recovery plan and then financed procurement of an initial supply of hides and chemicals. MATEP also identified an export market for processed wet blue hides. Kabwe's first shipment was to a South African buyer. Though the buyer requested additional shipments, Kabwe Tannery was unsatisfied with the terms and requested additional help. MATEP next linked Kabwe up with East Hides, Limited of London - one of the largest purchasers of wet blue leather in the world. To date, Kabwe has delivered two containers to East Hides. More importantly, East Hides has issued a standing order for the continual supply of wet blue leather from Kabwe Tannery.

Kabwe Tannery has been in continual operation since receiving its initial support from MATEP, this, in contrast to start-stop operations of the past.

The impact domestically is reflected in part by prices for raw hides in Zambia which rose from $2 in 2005 to $10 now. In addition to its own tanning operations, Kabwe is now tanning on a contract basis for SME traders in hides, too. This not only adds value locally to hides that were previously exported raw from Zambia, but it expands market outlets for smallholder farmers and small abattoirs trying to sell hides. Kabwe's exports rose to 25,000 hides in next year, both in direct exports and in contract tanning, for a total export value of approximately $800,000.

With operations up and running again, Kabwe Tannery was successfully sold to Tata Industries.

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SUCCESS STORY

New White Canning Bean for Zambia

South African Bean Experts and Zambian Officials from SCCI at ground zero – the first test site

Small Scale growers fields in eastern Zambia

Baked Beans! Lwangeni is the preferred variety for the canned bean industry. The baked bean industry in southern Africa is the fastest growing food industry at 14% per year. Baked bean imports

In 2007 the largest food processor on the African continent approached MATEP looking for beans for canning as baked beans. Based on previous work with MATEP, Tiger Brands Foods of South Africa knew MATEP would follow up on market opportunities in the region. And the opportunity was large; bean purchases in South Africa were valued at US$20 million in 2007 and projected to grow to US$ 40 million within a decade. MATEP sent samples of all bean varieties available in Zambia to Tiger Brands, but all were rejected as inappropriate for their canning operations. Zambia produces 40,000mt of dry beans annually, but none met the market specifications. Zambia had the right climate, knowledge and experience in growing beans, a strong production base, but the wrong beans.

This began a two year MATEP effort to introduce a small white navy bean, the right bean for canning, to Zambia. The objective was to get the new bean seed variety "released" in Zambia and MATEP pursued this in collaboration with the National Seed Control and Certification Institute (SCCI), the Zambian Agricultural Research Institute (ZARI), seed growers, seed companies and bean canners. "Release" is the official stamp of approval from government that a seed is safe, after which it can be commercially multiplied and distributed. But getting a seed released in Zambia is not easy, and it is not fast.

MATEP met repeatedly with officials at all levels, brought in experimental seeds, organized growing trails with the seed institute, with the research institute, with small scale growers and with large growers. Trials were conducted in all agricultural zones of the country. The bean seed performed very well with vigorous growth, exceptional yields and good disease resistance and was rewarded with "pre-release" status in the custody of MATEP. We now began year two trials and started organizing for commercial seed multiplication.

In September 2009 the newly named "Lwangeni" bean variety was released, in record time. Commerical production has begun and the first export consignments sold. Zambia is poised to become a major supplier of beans to the region's canning industry.

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SUCCESS STORY

Zambian Handcrafts sell in the USA

Rural Women Weaving Baskets

The Zambia Team at Santa Fe Folk Market

Zambian Handmade crafts on sale at Santa Fe Folk Art Market 2009

Zambian handcrafts once considered traditional and only meant for the rural Zambian folks moved to become a FOREX earner. With support from MATEP project, Hipego Ltd, a handcraft consolidator and exporter provided the Kasholwasholwa Women's Resource Centre and the Kasonde Women's Club with logistical, administrative and marketing support, culminating in the groups' participation at the Santa Fe International Folk Art Market (SFIFAM); in New Mexico USA in 2007, 2008 and 2009. Participation at SFIFAM is by invitation only and repeated invitations are highly sought after.

The Zambian handcrafts performed very well at the shows raising US$22,000, US$27,000 and US$ 30,323 in sales in 2007, 2008 and 2009 respectively. More important than sales at SFIFAM though are orders that come from the exhibit. Resulting from 2007 attendance, 1,200, 000 pieces of assorted Zambian baskets were exported to the US in 2008 and a total of 754 Zambian Baskets and 86 pieces of Tonga Bead work were exported to SFIFAM in 2009. Despite the economic slump being experienced in America and the world over at the time, sales of US$ 30,323 recorded during the 2009 show was a 12% increase in turnover from the previous year's US$ 27,000.

At the 2009 Folk Art Market, Julia Mutale was invited to lead a peer presentation and group discussions about various Craft Cooperatives in Zambia. The presentation covered how the Cooperative movement is structured in Zambia and how it is affiliated to the International Cooperative Alliance. The discussion also included how Zambian Women's Basket Cooperatives represented at the show are structured, and how they work with Hipego Ltd to produce their baskets for export. The Zambian handcrafts at this show were very competitive based on price with other competitors because the exhibitors understood the essence of pricing their crafts correctly. The repertoire of competitor crafts at the shows came from Namibia, Botswana, South Africa and the Native American Indian Artists. Realistic and affordable pricing for the market clientele was key to ensuring the Zambian booth's success at the Market.

Participation in these trade shows has had a great impact on local women involved who have reported improved household incomes from craft sales. The groups have been invited back to participate in the 2010 Folk Art Market!

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SUCCESS STORY

Zambian Seed Exports to Congo

"Our exports of seed grew 900% in one year, from US$23,500 to US$300,000; we would not have been able to achieve this without MATEP support to access the DRC market."

Packing seed at the Zamseed factory

Zamseed sells seed to USAID and the EU for supply to small farmers in the DRC.

Zamseed product launch in Lubumbashi - 2006

Zambia Seed Company Limited (Zamseed) is a former parastatal company that had invested heavily and successfully into research and development of new seed varieties. Its local sales grew significantly as it developed a strong local supply network, but the company had limited success in exports into the region and was selling nothing into neighboring Democratic Republic of Congo.

MATEP, having conducted market research in DRC and sponsored a trade show in Lubumbashi, saw enormous potential for seed sales to Congo. Supported by MATEP, Zamseed participated in a trade mission to the DRC and subsequently, in June 2006, undertook a major public event to launch their products in DRC. The launch included an exposition at the Chamber of Commerce where major farming interests were present along with international agriculture organizations and NGOs such as FAO and World Vision. Field visits to some of the largest commercial farmers were conducted, too.

A few months later, orders started trickling in, and by the end of September 2007, Zamseed had supplied 270mt of seed into the DRC earning US$300,000. This figure represents 10% of Zamseed total turnover and the DRC exports amount to 90% of total export sales). Most of the clients that attended the launch ended up as Zamseed clients. Zamseed is nurturing this market and these new clients, and visits Lubmbashi on a monthly basis to keep abreast with market demands. Despite a policy in the DRC to move to local procurement, Zamseed is still strengthening its link there and clinched an export order of 150mt worth US$ 202,000 in 2009. Says Zamseed Marketing Manager, Zack Musonda, "Correct linkages (to buyers) were critical, and MATEP did an excellent job in linking us to buyers in the DRC."

Due to their successful market access and the potential for business growth, Zamseed turned to MATEP in 2009 seeking guidance on how best to grow their new business in the DRC. Other MATEP clients wanted to expand in DRC too. After examining various expansion options, MATEP advised to setting up operational bases in Lubumbashi and provided guidelines and help for doing so. Zamseed has progress in establishing "Zamseed Lubumbashi" and is expected to launch in DRC by the end of 2010.

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SUCCESS STORY

Adding Value – Paprika Processing

Zambia begins high value processing of paprika with assistance from MATEP for factory rehabilitation and purchasing of paprika from producers for factory input.

Paprika in the field

Deseeding and pelletizing

Oleoresin extraction

With help from USAID's MATEP project, Zambia started oleoresin extraction from paprika for export as a natural colorant. Paprika purchases from the factory will revitalize paprika production in the country.

MATEP assisted start-up of Zambia's only factory for processing paprika into high value oleoresin, a product exported worldwide as a natural colorant. The factory was originally set up a decade ago, but failed and remained dormant for many years. The new owners are farmers with an interest in growing paprika, but who saw no prospects in paprika because of low prices and the structure of local marketing. They did see an opportunity if they could integrate the value chain from production to processing to export and sell into the lucrative oleoresin market. Unfortunately the new company, Zambia Extracts, Oils and Colourants, Co. (ZEOCO), was unable to find support needed to get started.

MATEP stepped in to finance plant refurbishment and the purchase of paprika for processing. MATEP also identified international oleoresin buyers. Then, once the factory was up and running, MATEP worked with ZEOCO to approach financial institutions and successfully leveraged an additional $2 million. These additional funds will finance expanding to full capacity.

So far, results at the factory are promising. Oleoresin has exceeded quality estimates by a wide margin and will attract price premiums as high as 15% over projections. With value addition to oleoresin, ZEOCO is able to offer growers prices 40% higher than previous farm gate prices. A total of 1,500 tons of paprika will be bought this year (through March 2007), rising to 2,000 tons in 2008 and moving up to plant capacity of over 3,000 tons. That means that ZEOCO alone can purchase over six times Zambia's current national production of paprika.

From this year's crop about 15%, 200 tons, is being sourced from smallholder farmers. Out-grower schemes are being set up to raise this to 700-800 tons next year, and grow further after that. Prices offered to growers are based strictly on quality of paprika delivered and all deliveries are laboratory tested on-site.

Oleoresin export from this year's crop will be worth $3.5 million. ZEOCO is also setting up a spice factory using by-products from oleoresin extraction. Spice exports should reach $500,000 this year and will grow both as volumes increase and as Zambia-branded spice products are developed. At capacity, ZEOCO will generate over $10 million in export earnings for Zambia. Such exports earnings, paprika production and resulting higher farm incomes would not have happened without MATEP assistance.

Success Story
Advocacy and Policy Changes in Zambia

Zambia takes a closer look at its visa requirements in view of the impact on the tourism economy.

Visa entry fees are hardly the most dramatic topic for consideration when looking at international tourism. However, the impact of such fees upon visitors' choice of destination can be damaging to the overall growth in the tourism sector.

When the Government of Zambia increased visa fees without any advance warning in 2008, there was a general understanding that though such an increase might seem appropriate in terms of reciprocity, such an increase would be detrimental to the ongoing marketing initiatives to attract more visitors to Zambia. Overnight, visa fees increased 100% for most tourists, but jumped by 500% for American and almost 600% for British tourists, countries from which the majority of Zambian tourists originate. Such a change undercut government's espoused to promote tourism and attract more visitors to Zambia.

MATEP provided technical inputs to the Tourism Council of Zambia (TCZ), the principle advocacy group for the private sector, for TCZ to develop a position paper outlining the long term effects the measure would have on tourism and on the economy (loss of tax revenue, job losses) and compared this to gains in fees from the increased visa charges.

Following the presentation of this position paper to government, it was possible for an informed discussion and review to take place. As a result of that review, government adjusted the visa fees to placing tourists from all countries at par.

This process provided an opportunity for the industry to speak to government with one voice, using solid data, in pursuit of a quick, confident and intelligent resolution to the situation.

Success Story
Hotel and Catering Association of Zambia (HCAZ)

Customer Care Training Program - Solwezi 2008

Chief Executive Officer: Addie Musakanya

Training Session - Mwinilunga 2008

The Hotel and Catering Association of Zambia (HCAZ) has long been one of the outstanding private sector tourism organizations in the country. With its current list of 391 members (increased by 161 in the last two years), HCAZ stands as the largest single voice in the sector. It is for this reason that the partnership between HCAZ and MATEP took on special meaning.

Recognizing that changes in the global tourism industry meant changes for even the smallest members of HCAZ, the organization turned to MATEP for assistance in both policy and practical issues.

The importance of clear articulation regarding policy matters was evident early in the MATEP program as the Hospitality and Tourism Act and Zambia Tourism Board Act were being formulated. MATEP provided technical input for HCAZ's responses to government with the net result of important issues being included in the final legislation. Specifically HCAZ looked carefully to its own 'Code of Conduct' in anticipation of a nationwide Grading and Standards Scheme and developed an up-to-date instrument, which can guide members through the accreditation process.

Perhaps the most outstanding achievement of the HCAZ/MATEP partnership has been success of the Customer Care Training Program, developed and delivered by Zambian consultants. Built on current trends in hospitality and incorporating practical, demand driven objectives, the skills development training has been provided to over 1,344 participants representing 531 enterprises in all nine provinces.

Successes with the training program convinced HCAZ that appropriate and relevant training leads to improved service delivery. While industry training has been available in Zambia for some years, the HCAZ/MATEP program was demand-responsive and targeted a new level of engagement, reaching supervisors, frontline staff and backroom staff. HCAZ leadership now looks to developing similar practical training for owners and managers.

"With the MATEP partnership, HCAZ's value to members has increased, with a resulting increase in membership of the organization."
Addie Musakanya, Chief Executive Officer, HCAZ

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SUCCESS STORY

HCAZ LAUNCHES HIV/AIDS WORKPLACE POLICY

MATEP, a USAID-funded program, partnered with the Hotel and Catering Association of Zambia (HCAZ) to develop an HIV/AIDS Workplace Policy for the association's membership and employees in the sector. The policy, launched on the 9th September, 2009, aims at assisting businesses in developing and improving their own policies and providing a standard within the association on how to tackle HIV/AIDS.

Signing of HCAZ HIV/AIDS workplace policy by USAID General Development Officer and HCAZ President

In his speech to mark the occasion, MATEP Chief of Party Scott Simons mentioned that "the process of policy development was a long one because HCAZ and MATEP assured from the start that there was wide-spread involvement and participation by HCAZ membership from throughout the country. There were opportunities with members for brainstorming, drafting, reviewing, revising and then adopting the policy, led by Dr. Paolo Craviolatti, MATEP's Senior HIV/AIDS Advisor". The policy will serve as a blueprint for HIV/AIDS interventions in the workplaces of HCAZ member businesses. Businesses will be encouraged to adopt the policy and to adapt it for their own workplaces.

Ryan Washburn officially launches HCAZ HIV/AIDS policy

According to Felix Mulenga, the HCAZ President, the recently developed policy for the industry would help reduce levels of HIV/AIDS due to sensitization on the dangers of HIV/AIDS in the various workplaces. He noted that "a productive workforce plays a critical role in development of the country's economy. In the tourism sector where HCAZ falls and which is a driver in the economy, it is important that the high levels of HIV/AIDS in the sector are reduced so that the industry can make a meaningful contribution towards the country's development.

Speaking at the launch, the guest of honor Ryan Washburn, USAID's General Development Officer, said "A healthy, educated and productive workforce is a prerequisite for sustained economic growth in Zambia."

Success Story
Tourism Council of Zambia (TCZ)

Minister of Tourism opening the Destination Lusaka Expo

Hostels Board Expo stand at the Expo

Handicraft exhibit at the Expo

The Tourism Council of Zambia (TCZ) was established in 1995 as the apex organization for private sector tourism associations in Zambia. A challenge for organization over the years was how to perform as an advocate for an industry that was itself transforming in the face of globalization. Recognizing the need to provide more effective services for its members, TCZ approached MATEP to help with technical support in refining and refocusing its Strategic Development Plan.

The resultant Strategic Development Plan sharpened TCZ's focus by narrowing its activities and making them more relevant to members' aspirations. Additionally, the TCZ Secretariat was strengthened enhancing its ability to deal with sector-wide policy issues. Now, not only are TCZ members more satisfied with the organization, but the Plan was instrumental in mobilizing funding from several donors, including the World Bank SEED Project, the Royal Netherlands Embassy and the EU Capacity Building Project.

The strengthened Secretariat has been able to add a Policy Analyst and a Marketing/MICE Executive (MICE-Meetings, Incentive travel, Conferencing and Events). Both positions extend the reach of TCZ as the voice of tourism for the private sector.

TCZ, with MATEP assistance, can now take a more informed role in examining the critical issues in the sector: competitiveness, standards, destination marketing, and business/leisure travel. Zambia is an excellent MICE destination, but it captures only a small proportion of this lucrative market. With MATEP assistance, the TCZ MICE Desk is targeting Lusaka facilities under the Destination Lusaka initiative.

Other MATEP-assisted activities by TCZ include: hosting the 2008 World Tourism Day Expo; leadership regarding enactment of the Hospitality and Tourism Act, highlighting critical policy issues and commissioning research on regional and domestic tourism markets.

"MATEP has assisted TCZ transform from a small ad hoc secretariat to a fully fledged institution".
Josephine Sampa Mehl, Executive Director for TCZ

Success Story
Travel Agents Association of Zambia (TAAZ)

Uniquely Zambian Destination

TAAZ Tour Operator

TAAZ members at WTM - November 2008

The Travel Agents Association of Zambia (TAAZ) was an early partner in the MATEP tourism program. Well aware of changing needs in the industry and the challenges facing its membership, TAAZ leaders looked to MATEP for technical expertise in new products and in developing international markets. Historically operating as ticket agents, enterprises were now faced with the need to develop other income-generating services. MATEP assisted TAAZ members in shifting their business focus from ticketing and reservations to becoming fully fledged tour operations with ground logistics capabilities.

Through Internet Marketing Training, Trade Show Preparation Training, and Support for Attending Fairs and Road Shows, MATEP assisted TAAZ and its members in knowing what is needed to derive success from participating in travel fairs. A key lesson learned by TAAZ members has been the importance of targeting the correct market, whether at the domestic, regional or international level.

Marketing Zambia as a premier tourist destination was addressed in North America by participating in U.S./Zambia 'road shows,' in Europe/Asia by promotion of Zambia at World Travel Market (WTM) and the region through INDABA. . TAAZ members are in a better position to access other markets, especially targeting business/leisure travel, and have a broader understanding of how to package and present tourism products and deliver services as tour operations.

According to Nickson Chilangwa, TAAZ Chair and owner of the Zambian Safari Company, 'The economic viability of both TAAZ and its member organizations has increased since the MATEP program began.' Members have shifted from single vision to multiple approaches, gained operational skills and enhanced professional expertise. The organization has grown from 33 members in 2003 to 42 members in 2009. According to Mr. Chiangwa, this is proof that the association provides value to its members.

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SUCCESS STORY

INNOVATIVE BUSINESS DEVELOPMENT

Chimwemwe Lodge is a business involved in offering accommodation and tourism facilities. The lodge is located at the junction of Great East road and the road leading to Petauke. The business is wholly owned and directed by Zambians

MATEP's approach to developing Zambia's tourism is market driven, promoting Zambia's competitive advantage to the right markets and the right travelers with the right product. MATEP targets the "up and coming" businesses that offer the bulk of the tourism services in the country.

Chimwemwe Lodge applied for a facility from the MATEP Investment Fund through the Tourism Component. The purpose of the facility was to improve on the levels of operation and service provision for various nature based experiences in and around the Petauke district. The lodge started with a bed capacity of sixteen (16) persons. The facility has separate units of luxurious chalets made of timber and grass thatch with en-suite bathrooms and toilets.

The management team of Chimwemwe, strategically wants to open a chain of similar facilities throughout the country that will follow the Tooter Monze style of business. Tooter Monze has targeted travelers using private vehicles and those using public transport like buses. The business has created both direct and secondary employment to the people of Petauke District.

SUCCESS STORY

RECYCLED FUEL ENERGY – BIO COAL

Fallsway Timber is a business involved in manufacturing furniture and building materials from hardwood timber. The Fallsway Timber sawmill and factory is located 28 km from Livingstone in Southern province along Nakatindi road leading to Kazungula and Sesheke districts.

In the course of MATEP visits with Fallsway Timber in promoting their export operations, discussions turned to how to handle the large amount of waste material produced at the Fallway sawmill. This eventually led to a Fallway financing application to MATEP's Investment Fund to introduce bio-coal production in its operations. With machinery imported from India, Fallsway now takes all of the sawmill's sawdust, off-cuts and wood scraps, along with harvesting and manufacturing, and compacts them into compressed logs that can be used for industrial furnaces and as a charcoal substitute in households.

For Fallsway Timber, the company now has a new product for sale. Since it is produced with minimal input costs, biocoal production adds to Fallway's overall profitability. Biocoal production also deals with a significant waste problem that had developed at the sawmill. The waste was not only a dangerous fire hazard at the plant, but it was expensive to remove and was an environmental problem when dumped in the forest.

The management team of Fallsway Timber is promoting its biocoal product countrywide and for export to the region. As a substitute for charcoal, Fallsway biocoal will reduce deforestation by reducing pressure on the forests from charcoal burners. As a substitute in industrial furnaces, biocoal will reduce the need for commercial wood harvesting and coal mining.

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SUCCESS STORY

Leveraging Development Finance

Ubuchi Liquid Gold, natural forest honey

Various Traditional uses of groundnuts

Groundnuts in-shell

MATEP successfully leveraged a total of US$465,500 for two Zambian SME's through the Africare-managed Market Improvement and Innovation Facility (MIIF), a development finance facility funded by the World Bank. MIIF provides matching grants aimed at improving market access with innovative approaches that benefit smallholders-oriented agricultural value chains.

The MIIF Facility, a $3.0 million fund, began "operations" in 2007 but by the beginning of 2009 had virtually no activity. MATEP met with Africare to propose models that could better enable Zambian SME's to access MIIF funds.

A major constraint was that MIIF required cost sharing on the part of recipients and that this cost share was required to be paid in cash. SME assets devoted to the project and/or in-kind services were not eligible as cost sharing contributions. Typically, SME's would not have cash in the amount of tens or hundreds of thousands of dollars to meet this cost sharing requirement.

Most of the SME's have assets, such as buildings and equipment, but the MIIF requirement meant assets would need to be liquidated in order to raise the cost share funds. Not a very practical solution. MATEP instead proposed a model in which SMEs would be permitted to use their assets as collateral for loans and loan proceeds would in turn be used for the cost-share match – something that had previously been prohibited by MIIF regulations. MATEP further agreed to provide technical support for developing concept notes and business plans for SME's applying for the MIIF.

The MIIF was changed to accommodate the MATEP model and so far, MATEP has assisted nine SMEs with their MIIF submissions. Two proposals have been approved for MIIF disbursement in the groundnut and honey value chains. Total value of these disbursements will reach $465,500

MATEP continued to working with SME clients to enable them access the MIIF fund and other sources of finance and now has a number of other applications in the MIIF pipeline. The above intervention demonstrates the kind of approach required to access SME finance in Zambia.

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SUCCESS STORY

Kabwe District Business Association (KDBA) scales up dissemination of HIV/AIDS information in their businesses

"The impact on the Kabwe business community of MATEP's Kabwe District Business Association (KDBA) HIV/AIDS prevention initiative is overwhelming," says Mrs Kelly Chamika the Kabwe District AIDS Coordination Advisor. According to Ms Chamika MATEP's program is an way to scale up the dissemination of HIV/AIDS sensitization and awareness materials among local entrepreneurs in the district, inclusive of the remote areas. "This partnership is the foundation stone of the Kabwe business community's response to the HIV/AIDS pandemic."

With allocated funds from PEPFAR, MATEP designed a program for workplace interventions targeting District Business Associations (DBAs) in collaboration with Zambia Chamber of Small and Medium Associations (ZCSMBA). In partnership with the Kabwe District Business Association (KDBA), MATEP implemented an HIV/AIDS prevention and awareness program to mitigate the effects of HIV/AIDS on local businesses.

As part of the program, marketeers and bus drivers sit in small groups discussing the HIV/AIDS information in the language they understood best as the literature has been produced in English, Nyanja, Tonga and Bemba. James Banda, a bus driver in Kabwe, says he wished the program had come sooner. Mrs Moddy Chitambala, the HIV/AIDS focal person at Kabwe's New Market, said "the prevention program has addressed the issue of HIV/AIDS prevention amongst us marketeers and also in some of our clients. The training has greatly impacted our life style especially in the area of social behavioral change"

Enock, the bus drivers' HIV/AIDS focal person, noted that the drivers were happy to learn about transmission of HIV/AIDS. He said, "This information has encouraged most of my colleagues to develop interest on knowing their status."

Marketeers at New Kabwe market gather for an HIV/AIDS sensitization session

Bus drivers at Kabwe's bus station reading and discussing the MATEP HIV/AIDS prevention literature

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SUCCESS STORY

HIV/AIDS PREVENTION AND ROSE EXPORTS

HIV/AIDS Training Session

Sorting export quality flowers

Protective wrapping of roses before export

The high prevalence of HIV/AIDS in Zambia has not spared the export industry. MATEP, in its efforts to promote Zambian exports, identified the impact of HIV/AIDS as a major constraint to maintaining competitiveness and to growth in the export industry. With funds received from PEPFAR, MATEP developed a program to conduct community outreach HIV/AIDS prevention programs that promote abstinence and/or being faithful among the workers of exporting clients.

According to a rose exporting client, Khal Amazi, "The results of MATEP's HIV/AIDS activities on our first farm are excellent; impressive to our overseas buyers and more business for us due to our Social Corporate responsibility efforts on HIV/AIDS. This encouraged us to introduce the program on our other two farms that did not participate in MATEP's initial HIV/AIDS program with the Zambia Export Grower's Association (ZEGA) members."

MATEP's HIV/AIDS prevention activities are designed to integrate well into clients' business activities. They fit in with company needs and schedules, paying particular attention to avoid disrupting production. This helps businesses to maintain their productivity, address human resource needs of employees as well as demonstrate the company's responsible social programs.

David Tembo, the Human Resources Manager at Khal Amazi noted that, "MATEP's HIV/AIDS activities brought a positive change to our co-workers and surrounding communities. People openly discuss the dangers of HIV/AIDS, want to know their status, and more importantly there is a significant reduction in vices such as casual sex and unfaithfulness among our farm workers."

Mr. Dodd Lance, the farm's export's manager adds, "Other horticultural business in neighboring countries are succeeding in their fight against HIV/AIDS due to their Governments' efforts. We are proud to say our farms and communities are fighting the scourge with the support of MATEP and PEPFAR funds. We are optimistic that with their efforts we will continue to impress our customers and increase our exports."

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SUCCESS STORY

No more HIV/AIDS myths in Mumbwa villages

Remote areas of rural districts are typically missed in service delivery programs, such as dissemination of HIV/AIDS information. This was certainly the case in Mumbwa District in Central Province. MATEP's HIV/AIDS prevention program with the Mumbwa District Business Association (MDBA) instead targeted small and medium entrepreneurs (SMEs) in remote areas of Mumbwa District. It was clear during implementation of the program that the further away one goes from the center of the district, the more poorly informed people are on HIV and AIDS issues.

According to Christopher Chinyanta the provincial representative for MDBA, "It was amazing, especially in rural areas, to learn that masses of people are not well informed about the subject matter. All along I had been thinking that there is no individual in the district who is not aware of the basic facts about HIV and AIDS. But to the contrary, despite a number of organizations in the district preaching about it there is a high rate of unwanted traditional practices".

MATEP found a high degree of interaction among the participants during HIV/AIDS sensitization sessions, an openness about lack of knowledge and lots of probing for more information. Major issues raised were the negative impact of polygamous marriages and usage of different traditional herbs especially by the women.

"Alarmingly, only about 10% to 15% of the youth attending the sessions knew how to use a condom correctly notes Mrs Ruth Michelo the DBA Chairperson. Ms Michelo adds that "MATEP's HIV/AIDS program has contributed to saving and/or prolonging of lives of people who are now empowered with basic information. The material received was so educative. We received a lot of support from the District Aids Task Force Coordinator's office when it came to distribution of HIV/AIDS materials and sensitization programs."

MATEP/ MDBA HIV/AIDS training, along with the Administrator and the District AIDS Task Force Coordinator in Mumbwa

Participants of an HIV/AIDS Awareness session in a Mumbwa village