

The Link

A Value Chain Approach to Doing Business in Africa



USAID | **COMPETE**
FROM THE AMERICAN PEOPLE The Competitiveness and Trade Expansion Program

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

Smallholder Farmer to Formal Market Trader

In Collaboration with Kathryn McConnell, Writer
America.gov

In the year 2000, at the age of 32, Everlyne Wanyera noticed a lack of agro-dealers in her western Kenya area. Formerly a school teacher and smallholder farmer, she decided to enter the agro dealer business to fill the void. In less than a year, she founded Elgon Farmers Stores, an agro-dealer business supplying inputs to farmers and milling and trading their maize.

Today, Wanyera's business is booming, with a client base of more than 5,000 smallholder farmers who sell her their small grain harvests. She just finished constructing a grain warehouse with a capacity of 500 metric tons. The warehouse, West Millers, stores farm produce at an affordable price until it is sold at a profitable market price.

To promote good agricultural practices and guarantee sustainability for her business, Wanyera shares her milling knowledge with fellow grain dealers at workshops in Kenya and Uganda. She also assists farmers through the Khasnja Self Help Group of mostly women farmers.

“Initially, I didn't take farming seriously so I was doing it on small scale. I just grew maize and dry beans for my family's meals. But after receiving training, especially sessions organized by AGMARK and Kenya's Ministry of Agriculture, I realized that farming can be a business. I saw an opportunity ahead of me.”

(AGMARK, or the Agricultural Mar-

ket Development Trust, is supported by the U.S. Agency for International Development through its regional Competitiveness and Trade Expansion Program (USAID COMPETE) for East and Central Africa.)

“When I started my Elgon Farmers Stores, I was only producing 5-10 bags of grain of 90 kilograms each on a small plot of land. Now I am able to lease 4.5 hectares which yield up to 300 bags of 90 kilograms per



Evelyne Wanyera (in green) oversees work at the mill adjacent to her Elgon Farmers Store

year. I use only 10 bags for my family's consumption and have the rest to sell.”

“On earning a grain marketing certificate from AGMARK, I secured financing to supply farm seeds and tools to farmers in the region. I also received a matching investment grant from AGMARK to purchase a modern mill that serves the surrounding community. The mill includes tables for separating grain from unwanted material, pallets, tarpaulins, weighing scales, a moisture meter and a

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machine for stitching grain bags.” These materials are not expensive, but they are invaluable for storing quality maize.

AGMARK is helping farmers access improved seed varieties, receive agronomy advice and adopt improved farming techniques. Their yields have increased.

“When we buy from farmers, we don’t discriminate in terms of quantity. We buy as little as half a kilogram. This is one of the main reasons Elgon Farmers Stores and West Millers are popular.”

Regional Food security can be achieved with enough capital, adequate information on new farming

technologies, improved seed varieties and ready markets. When smallholder farmers learn good business practices, the problem of unemployment will be solved and poverty reduced. Evelyne Wanyera’s success in transitioning from a school teacher and smallholder farmer to a formal market trader can be replicated throughout the region.

Strengthening E-commerce in the East Africa Region

Experts have called for the development of regional standards and regulations that will facilitate the uptake of e-commerce throughout East Africa. These views were shared at a two day conference held in September organized by the Kenyan chapter of the Information Systems and Audit Control Association (ISACA), with support from USAID COMPETE. The forum brought together leaders from banking, mobile phone operators and regulators to discuss the risks and opportunities for e-commerce.

Dr. Bitange Ndemo, Permanent Secretary of the Kenyan Ministry of Information and Communication delivered the keynote address at the conference noting that even though e-commerce can provide many benefits, there are many potential issues arising from its use such as data integrity and security. “The growth of mobile banking and intense competition in the banking industry in Kenya and East Africa at large has created a growing need to ensure systems are reined in by controls that meet business objectives. As a government, we are prepared to fully embrace e-commerce and benefit from this e-commerce to help create employment and reduce poverty among our youth,” said Dr.

Ndemo.

East African Community Deputy Secretary General for Productive and Social Sectors, Jean Claude Nsengiyumva said the East African Community regional integration framework had succeeded in promoting free trade of goods and services through the EAC Customs Union and Common Market Protocols.

“To facilitate the movement of capital and services in the financial sector, a number of reforms are necessary in the policy side, the legal and regulatory environment side. One case in point is the ongoing project to establish the East African Payment System (EAPS) which will link the Real-Time Gross Settlement (RTGS) systems of the 5 EAC Partner States. The EAPS will drastically reduce the time for processing cross border payments which are currently not only very costly but also take not less than 21 days.”

A key outcome of the conference was the creation of an East African Community ICT Task Force. The EAC ICT Task Force is made up of IT professionals, national ICT bodies, and the private sector. The task force’s goal is to fast track



ISACA leaders (from left to right) Jona Owitti, George Ndemo, and Roy Akalah address the challenges of E-commerce

EAC ICT policy, develop a regional legal framework to harmonize cross border financial transactions and develop an East African payment gateway.

The ISACA conference helped experts understand the nature of e-commerce models, risks and threats in this new industry, and to evaluate mitigating strategies. The next step in the process is to build relevant governance frameworks around e-commerce, enabling growth in the region. To that end, USAID COMPETE is working with ISACA to introduce globally recognized IT standards such as CoBIT, ISACA’s best practices for IT management, and ISO 27002 standards for IT governance and information security to EAC member states.

Insta Products Boosts RUTF Output with New Filling Machine

Peanut based-Ready-to-Use Therapeutic Food (RUTF) is integral to the rehabilitation of severely malnourished people, the highest percentage of who reside in Africa. The demand for RUTF by humanitarian organizations such as UNICEF and Medecins Sans Frontiere (MSF) far exceeds the supply. In business, high demand is a good problem to have, yet there are few businesses that seem willing to tackle the challenges that RUTF manufacturing provides: stringent regulations, difficult transport, expensive inputs, ad hoc government regulations and customs, and a patented peanut formula. Insta Products is an exception.

Insta Products began manufacturing RUTF in November of 2009 under a license by Valid Nutrition. Their 92 gram sachets of highly stable RUTF energy nutrition are not unique. What is unique is that they are located in Kenya – a developing country that neighbors some of the hungriest places on earth.

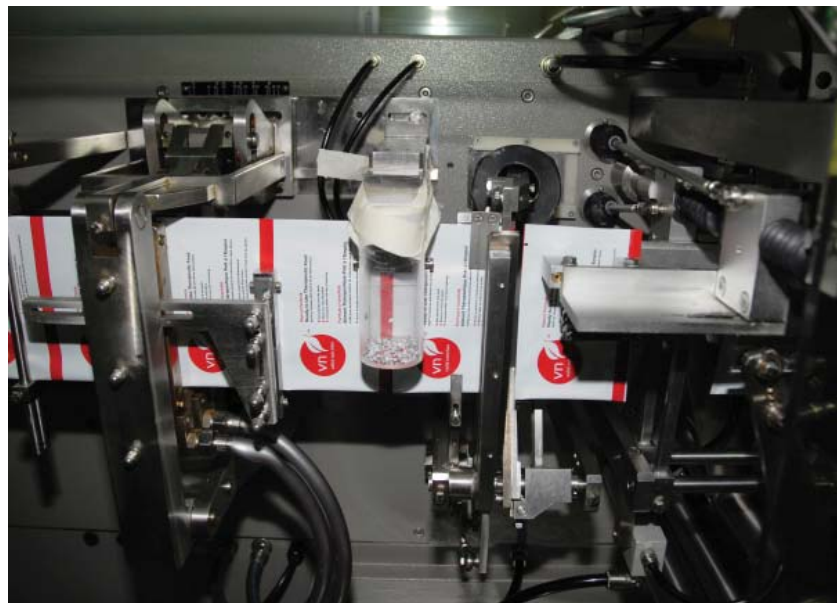
The USAID Competitiveness and Trade Expansion Program (COMPETE) learned of Insta Products in July of 2009. Interested in therapeutic foods as part of global food security, COMPETE invited Insta to submit an application for grant funding. At the time, Insta was struggling to stay afloat. They had one packaging/filling machine that frequently broke down, and a host of challenges with working capital, sourcing of inputs, logistics and transport.

Insta correctly recognized that if they were to be successful, they needed to scale up the business and source more inputs locally.

With USAID COMPETE support, Insta purchased another packaging/filling machine to increase production capacity and flexibility for when breakdowns occur. The next challenge was inputs. Kenya peanuts are riddled with aflatoxin, a highly carcinogenic fungus that invades crops susceptible to the stress of humidity and drought. To combat aflatoxin, Insta is planning a training program for local smallholder farmers. The goal is to enhance proper peanut growing and handling. The benefits are twofold: Insta reduces cost by sourcing inputs locally and smallholder farmers increase revenue and their production capacity.

severe malnutrition.

Insta is an ideal model for increasing food security in East Africa – a sustainable market driven company that encourages local production and enhances industry capacity and quality, located in a region that needs economic stimulus and quick access to the product Insta provides. Insta is a stepping stone, in both production and supply, to achieving Millennium Development Goal 1 “to eradicate extreme poverty and hunger—by improving the productivity, profitability, and sustainability of smallholder farms, creating pathways out of poverty for the rural poor.”



Insta's new packaging/filling machine

As of August 2010, Insta production output has doubled, with product going into 4 surrounding countries. This increased production capacity is generating additional revenues of \$308,000 per month, mostly in UNICEF orders. The Insta factory is bustling with Kenyan employees working around the clock to fulfill orders. These orders are immediately shipped to regional children suffering from

“It’s estimated that every year nearly 20,000 Kenyan children die from illness associated with Severe Acute Malnutrition”

(Valid Nutrition)

The 8th Annual Agribusiness Fair in the Rift Valley of Kenya

The 8th annual Agribusiness Fair boasted an expanded vendor list for 2010. USAID COMPETE grantees, the East African Grain Council (EAGC) and Cereal Growers Association (CGA), hosted the mid September three-day event, taking over for previous host the Kenya Maize Development Program.



Booths at the 8th Annual Agribusiness Fair



USAID East Africa Regional Economic Growth and Integration Officer, Kurt Low (second from left), discusses agricultural projects with COMPETE grantee partners Janet Ngombalu of EAGC and Anthony Kioko of CGA

The fair drew around 7,000 visitors, 4,000 of whom were farmers, to the Rift Valley Institute of Science and Technology in Nakuru. Past agribusiness fairs have drawn more visitors, but the 8th annual event stood out for the number and regional reach of the vendors present.

There were 80 booths ranging from input and machinery suppliers to service providers for both the crop and livestock industries. The companies present are active throughout East Africa. They perform an important role of linking farmers to markets. The booths also served as education points for local high school students

who embarked on an “information scavenger hunt” to learn more about agriculture.

The event’s guest of honor was Dr. Wilson Songa from the Kenya Ministry of Agriculture. Dr Songa congratulated the organisers of the 8th consecutive agribusiness fair. He stated that it was becoming an increasingly important an-

nual event for the country’s farmers and provided an ideal meeting place for buyers and sellers to come together, as well as affording participating farmers the opportunity to update themselves with recent improvements in technology. Using better inputs such as hybrid seed and disease resistant varieties would allow them to continually improve

yields, and enhance the region’s competitiveness in agricultural production.

The Agribusiness Fair is becoming more and more self sustaining every year, with major sponsorship coming from private sector companies such as Unga Ltd, Brookside Dairies, and Cooper Animal Health.

“The fair drew around 7,000 visitors, 4,000 of whom were farmers, to the Rift Valley Institute of Science and Technology in Nakuru.”

COMESA/ACTESA and USAID COMPETE Collaborate to Improve Maize Standards in East and South Africa

COMESA Homepage: <http://www.comesa.int>

The Common Market of Eastern and Southern Africa (COMESA) is implementing measures to improve maize standards in the Eastern and Southern African region through the Alliance for Commodity Trading of Eastern and Southern Africa (ACTESA) and the East African Grain Council (EAGC), with the

support of the USAID East Africa, Australian Aid for International Development (AUSAID), and the Swedish International Development Agency (SIDA). The initiative on Maize Quality Standards is expected to lead to harmonization and improved implementation of these standards at regional level in

the Eastern and Southern Africa.

The implementation of the Standards will address the current challenge in the post harvest losses which, in some cases, reach up to 40 per cent of the total output of basic staple foods in the Eastern and Southern Africa.

COMESA/ACTESA and USAID COMPETE Collaborate to Improve Maize Standards in East and South Africa

Continued...

To address the challenge, COMESA/ACTESA/EAGC and USAID Competitiveness and Trade Expansion Programme (COMPETE), and with the support of the Ministries of Trade, Agriculture and East Africa Community, held a regional Training of Trainers (ToT) Course on Maize Standards with the theme: "Towards Better Practices for Food Security and Wealth", to enhance the capabilities of personnel who work directly with smallholder farmers. Farm Concern International and Cereal Growers Association collaborated with the respective agencies in developing materials and providing trainers. The Course held in Nairobi from 22 - 23 September 2010, highlighted Good Agricultural Practices (GAPs) in production, agro inputs, storage, trading, and Aflatoxin. It also acquainted the participants, among others, with the meaning of harmonized maize quality standards, demonstrated that the quality of maize is measurable, showed different processing methods at farmer level and guided the participants in choosing the most appropriate method, and demonstrated common physical defects in Maize



Kenya Vice President, Stephen Kalonzo Musyoka, stresses the importance of maize standards

that limit market access and profitability. The eighty two participants were drawn from nine maize growing countries, namely Burundi, DR Congo, Kenya, Malawi, Mozambique, Rwanda, Tanzania, Uganda, and Zambia. The Vice President of Kenya and Ministers for Home Affairs Hon Stephen Kalonzo Musyoka, graced the occasion by Opening the Training Course and launching the training materials for the Course.

The initiative resulted in a core group of trainers who will be responsible for training on maize standards at national level, leading, inter alia, to harmonized quality maize standards practices, reduced food losses, improved overall quality and food safety, and higher returns for producers and traders in maize.



Princess (Dr) Marline Sambo Waziri of Standards Organization of Nigeria, attends EAC maize standards TOT - pictured above with USAID COMPETE Staple Foods Team Lead, Steven Humphreys

USAID COMPETE Supports Production of Maize Training of Trainers Material



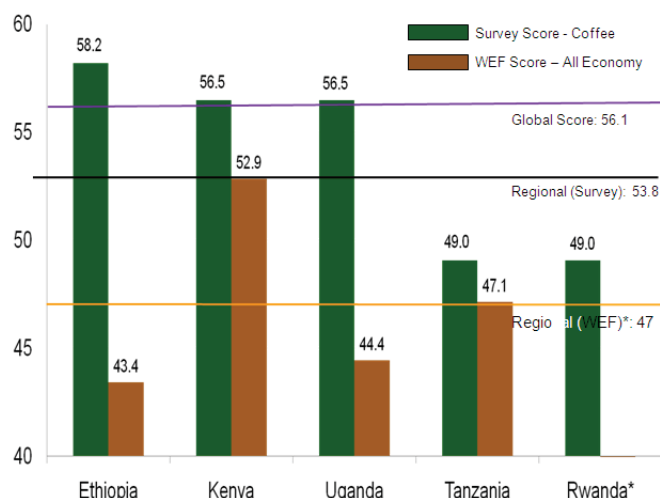
An array of training materials support the Maize Training Curriculum. The Trainer's Manual on Regional Maize Standards for COMESA and EAC Member States adds value to the knowledge base of maize farmers and maize handlers. It contains key information on maize grain quality training and is intended to be a primary source of practical knowledge on "Good Farming Practices" (GFP), maize farming and quality assurance.

The accompanying training materials help trainers in the development and delivery of their training programs. The resource book contains all the elements for establishing an effective maize quality standards training program, including basic training principles and concepts of production, agro-inputs, storage, access to markets and managing aflatoxin contamination. In addition, it includes comprehensive practical guidelines for the actual implementation of modules and training programs. A series of posters and 8-part radio program on maize quality supplement the training materials. The training materials were prepared with support from the USAID/East Africa Competitiveness and Trade Expansion Program (USAID COMPETE) and Farm Concern International.

USAID COMPETE Measures Value Chain Competitiveness

By Chris Donohue, Regional Competitiveness Advisor

The USAID East Africa COMPETE project has created a competitiveness index to measure the competitiveness of the value chains it supports and track COMPETE's impact on improving their competitiveness. This index is based on the World Economic Forum's Global Competitiveness Index and focuses on 10 critical drivers of competitiveness that are directly related to the work that COMPETE does. COMPETE has applied the methodology to each of its value chains and developed national and regional "all-economy" baseline scores for each value chain against which the sector scores will be benchmarked and tracked over time to see how the various sectors' competitiveness compares to the competitiveness of regional and national economies. To develop sector-level baselines for the cotton/textiles/apparel, staple foods and specialty coffee value chains, COMPETE surveyed value chain participants in five focus countries for each



Coffee Sector - Baseline Index Scores

How leading export countries' coffee sectors compare to their "all economy" scores

value chain and converted the survey responses into national and regional index scores. As the above chart illustrates, the coffee sector regional baseline score of 58.2 beat the regional WEF "all-economy" score of 47, which is not surprising given high coffee prices and the overall strong performance of the sector over the past several years.

From COMPETE's perspective

the overall regional baseline score for a particular value chain, while interesting, is not the real value of this exercise. The true value is derived from engaging with the industry to understand question level data, which are critical for helping identify value chain deficiencies that can be explored further and can inform the development of regional strategy initiatives and project interventions.

USAID COMPETE Involvement with the East African Community (EAC)

Interview with STEPHEN WALLS Chief of Party, USAID COMPETE



STEPHEN WALLS has been in Africa for 20 years. He has led the USAID Competitiveness and Trade Expansion (USAID COMPETE) Program since its inception in 2009. He was also Chief of Party for COMPETE's predecessor

program, the Regional Agriculture and Trade Expansion (RATES) program. USAID COMPETE is designed to enhance economic growth and food security in Eastern and Central Africa by reducing barriers to trade, improving access to markets, and furthering regional integration.

Interview

Can you tell us about the USAID COMPETE approach?

The USAID COMPETE program takes an integrated approach to

addressing the issues of advancing trade and economic growth and ensuring food security in the region. This approach is based on the premise that regional integration is a key driver in fostering regional markets and increasing the competitiveness of African products in global markets. Regional integration also makes it easier to shift food from areas that have a surplus to those with shortages, increasing availability and reducing volatility of prices.

USAID COMPETE works with regional partners such as the East

USAID COMPETE Involvement with the East African Community (EAC) Interview with STEPHEN WALLS Chief of Party, USAID COMPETE

African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA) to implement innovative solutions that remove red tape, raise quality and production standards and work in partnership with regional trade associations. The goal is to create a trade policy environment that enhances trade and investment in East and Central Africa.

How does the EAC Customs Union affect the lives of the people of East Africa?

The EAC Customs Union will allow the people of East Africa to move their goods with fewer delays and with less expense. The free movement of staple foods is critical to meeting the food security needs of the region. A major step towards creating a regional staple foods market is the zero rating of agricultural commodities, traded intra-regionally, that should help open the regional market for staple foods. It reinforces the idea of a “staple foods without borders” policy that has gained support from both private and public sector players and a USAID COMPETE-supported initiative. Another step forward is the formulation of harmonized standards for staple foods that ensures that misaligned standards do not act as barriers to staple food trade in the region. Today all EAC countries have published EAC maize standards that were developed with support under the RATES program. Now, the EAC, with COMPETE support, are developing 23 additional staple foods standards that will be hopefully approved by the EAC this year.

The EAC introduced a Simplified Certificate of Origin (SCO) in 2007. The SCO provides an

avenue for smallholder farmers to move their goods, of less than \$500, across EAC borders without having to pay duties. The farmers simply need to show that their goods originated in an EAC member state and are transiting through to another EAC member state. With one piece of paper, their SCO, a farmer can move up to \$500 of horticultural goods from Kigali, Rwanda to Nairobi, Kenya without having to pay any duties. Through policies like the Simplified Certificate of Origin, the EAC Customs Union is making it easier for smallholder farmers to find a market for their product.

How is USAID COMPETE supporting the EAC and what are some activities envisioned for the future?

USAID COMPETE is committed to working with the EAC in achieving the full implementation of the Customs Union and Common Market. In this regard, the strides taken by the EAC in building the capacity of regional customs authorities to manage the fully fledged customs union are very encouraging and an example of our cooperation. USAID COMPETE has supported the EAC in developing an EAC Customs Valuation manual and developing the EAC Customs Integrity Code of Practice. Both items support an EAC customs strategy that prioritizes procedures and brings the EAC Customs Union closer to the benchmarks set by the World Customs Organization. USAID COMPETE will continue supporting these efforts.

USAID COMPETE has continued to support and extend the Revenue Authorities Digital Data Exchange,

RADDEx 1, a software technology that allows different customs electronic systems to communicate data across different platforms. USAID COMPETE is now working with the Customs Authorities to move towards the development of a fully integrated regional system called RADDEx 2, which will link all the Customs Authorities through a regional platform and interface. This will greatly enhance the efficiencies of the Authorities to streamline the procedures for clearing goods across borders.

USAID COMPETE is working with the EAC to find innovative solutions for tracking and reporting trade statistics. We believe that policy makers need reliable and timely information to make evidence-based decisions regarding trade policy. To this end, USAID COMPETE is supporting the EAC to develop a web-based trade database that will give all EAC member states on-line access to trade statistics. This information should help to stimulate intra-regional trade by providing the necessary regulatory requirements for import and export of goods throughout the EAC.



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The Link is the newsletter of the USAID Competitiveness and Trade Expansion Program and the East and Central African Trade Hub.

USAID COMPETE works to:

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

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

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Events Calendar

Date	Event	Venue	Find Out More
2010			
28 October - 8 November	ECA Hub Crafts Fair and Technical Assistance	Rwanda, Tanzania and Uganda	
31 October - 5 November	Rwanda and Burundi National consultative workshops on EAC harmonized staple foods standards	Kigali, Rwanda and Bujumbura, Burundi	
31 October - 7 November	EAC customs valuation meeting	Kampala, Uganda	
03-Nov	RADDEx 2.0 Presentation to Commissioners General of the EAC database	Arusha, Tanzania	
05-Nov	Regional meeting on EAC statistics reporting database	Nairobi, Kenya	
1 - 6 November	COMPETE/EAC Revenue Authorities Technical Committee on Valuation and procedures	Kampala, Uganda	
4 - 6 November	Swahili Fashion Week with Origin Africa Featured Design Event on Nov. 5	Dar es Salaam, Tanzania	www.swahilifashionweek.com
06-Nov	Sensitization workshop for KTA members on the Code of Conduct	Mombasa, Kenya	
8 - 9 November	Regional Staple Foods Strategy Implementation Plan, Validation Meeting	Entebbe, Uganda	
8 - 11 November	ACTESA 4TH Stakeholders and Partners Meeting	Entebbe, Uganda	www.actesacomesa.org
13-Nov	Official Launch of the KTA Code of Conduct	Mombasa, Kenya	
15 - 17 November	Northern Corridor Secretariat (TTCA-NC) - 5 th Meeting of the Customs and Trade Facilitation Committee and Second Meeting of the Investment Promotion and PPP Committee	Nairobi, Kenya	
15 - 18 November	AGOA Collaboration and Technical Assistance discussion with 2 Ethiopian craft companies	Addis Ababa, Ethiopia	
15 - 22 November	USAID COMPETE to organize and lead a US buyer's trip mission for the ORVIS group to Mauritius	Mauritius	
22 - 24 November	Dar Corridor Coordinating Committee (DCC) - Technical and Policy Meetings	Livingstone, Zambia	
22 - 26 November	Northern Corridor Secretariat (TTCA-NC) - 33 rd Executive TTCCA Executive Board and 22 nd Council of Ministers	Mombasa, Kenya	
26-Nov	COMPETE/Southern Africa Trade Hub (SATH) Joint Activity Planning Meeting	Livingstone, Zambia	
26 - 27 November	EAC Summit and 10th Anniversary Meeting	Dar es Salaam, Tanzania	
November - TBC	Phase II of Border Training on Joint Inspections at Select EAC Border Posts	Gatuna, Busia, Malaba	