

STATEMENT OF OBJECTIVES (SOO)

MARKET ACCESS, TRADE AND ENABLING POLICIES (MATEP) PROGRAM

1. Summary of Statement of Objectives: USAID/Zambia plans to award an \$8 million task order Contract to appropriate Management, Organizational and Business Improvement Services (MOBIS) partners to assist in achieving the objectives of its economic growth strategy. The Contract awarded through this solicitation shall implement a program of increasing “Market Access, Trade and Enabling Policies: MATEP” and will be one of two main vehicles for accomplishing key elements of Strategic Objective 5, “Increased private sector competitiveness in agriculture and natural resources” under the new Country Strategic Plan 2004 - 2010. Overall, the SO5 strategy aims to enhance competitiveness of small- and medium-scale agriculture and natural products producers and processors by providing better access to markets, production technologies, finance and business development services (BDS), and through initiatives to improve the enabling environment and reduce barriers to trade and investment. Specifically, activities under the Contract awarded through this solicitation shall support accomplishment of two of four Intermediate Results (IRs) under the SO: IR 5.1 “Increased access to markets”, and IR 5.4 “Improved enabling environment for growth”. The overall objective of the contract is to increase the level of Zambian agriculture and natural resources exports into regional and international markets.

The proposed contract shall complement and be undertaken in collaboration with a Cooperative Agreement to be awarded under a separate solicitation. The Cooperative Agreement (CA) shall focus on achievement of the strategy’s Intermediate Results, IR 5.2 “Enhanced value-added production and service technologies” and IR 5.3 “Increased access to financial and business development services” that complement the IRs to be pursued by the Contract. The CA shall also contain a grants management component. It is intended that the Cooperative Agreement provides capacity to producers in local markets and assist in product consolidation, while the contract has the major objective of increasing Zambian agricultural and natural resources exports by working to overcome policy, tariff, non-tariff barriers to trade and forging linkages. Tourism receipts are included as non-traditional natural resources exports. The contract awarded through this solicitation will be USAID/Zambia’s main vehicle for contributing to the government of Zambia’s Private Sector Development (PSD) Plan (also called Private Sector Initiative), particularly in the trade facilitation aspects of the plan.

2. Background and Context:

2.1. Background: Due to high poverty levels in the country, local demand beyond basic food needs is limited. Poverty thus tends to constrain the exploitation of local markets. Selling primary and processed agricultural products to international and regional customers offers Zambian farmers and firms’ opportunities for rapid income growth. Regional markets are particularly lucrative for staples grown by Zambian smallholder farmers. However, regional and international country markets are competitive with consumers of dynamic and exacting product price and quality preferences.

Despite Zambia’s huge potential in the agricultural and natural resources sectors, the country has been unable to register itself as a competitive market player locally, regionally and internationally. The main constraints to agricultural development and small-scale rural agribusiness competitiveness in the last decade have been:

- 1) lack of capacity, clarity and consistency within Zambian Government (GRZ) to generate and implement liberalization policies conducive to private sector agricultural growth;

- 2) poor market access and under-developed markets that limit production;
- 3) inadequate sources of finance and capital;
- 4) low farm and firm production and productivity due to inadequate provision of technical information, limited use of modern production and value-adding technologies, and business management services;
- 5) poor or non-existent infrastructure including telecommunications, roads and power facilities;
- 6) labor constraints due to the HIV/AIDS epidemic;
- 7) widespread loss of animal draft power due to disease; and
- 8) the continuing gender imbalance that promotes inequitable access to resources and opportunities for women. Constraints to the development of the country's natural resources and tourism sectors mirror those of the agriculture sector. In addition, the natural resources sector suffers from over-exploitation, largely due to illegal hunting and harvesting and the pressures of human population in wildlife and forestry areas.

2.2. **USAID's Interventions to Date:** USAID's economic growth program under its previous Country Strategic Plan 1998 - 2004, SO1 "Increased Rural Incomes of Selected Groups", focused on effective dialogue with and support to the GRZ to improve the overall economic policy environment to reduce barriers to trade and investment. It also built some public and private sector capacity for policy dialogue, analysis, conceptualization and formulation. USAID efforts have also enhanced business skills and fostered market linkages to optimize rural incomes by generating opportunities along the value chain between and among producers, suppliers, processors and consumers. USAID's interventions to link smallholder outgrowers to larger-scale producers and processors provide valuable lessons to improve rural livelihoods through the expansion of value-added production and processing of agricultural and natural resource outputs. Further, the Agency's work in food security research and the network for early warning of famine have provided invaluable information and capacity building for policy development and action to address national food security, agriculture and natural resources production, marketing and growth issues.

3. Description of the Competitiveness Strategy and Expected Results:

3.1. Strategic Objective 5: The development hypothesis underlying the Strategic Objective 5 (SO5) is that increased food security and competitiveness in local, regional and global markets will be attained by focusing on market and financial linkages, adoption of productivity-enhancing technologies, and implementation of enabling policy and appropriate regulatory interventions in the agriculture and natural resources and tourism sectors, while addressing gender-related constraints, the impact of HIV/AIDS and encouraging sound environmental management.

USAID anticipates that at all levels public/private partnerships will play a significant role in accomplishing program objectives. Such partnerships may include, but are not limited to, consortia undertaking the major implementing grants and contracts; alliances between/among implementers and Zambian private sector institutions and organizations and businesses to apply local knowledge to the task of defining local problems and solutions and to build local capacity and leverage resources. In short, the

strategy makes significant investment in public/private partnerships to build growth across the value chain and to enhance the policy environment.

Linking larger private sector enterprises with smallholder and rural community enterprise to introduce appropriate productivity increases, operational cost reductions, and enhanced business management capacities has the potential to increase competitiveness, contribute to foreign exchange earnings, produce equitable growth, improve rural incomes and reduce poverty. At the rural household level, sustained growth and competitiveness in markets will have a marked impact on improving food security through steady increases in rural incomes, and through crop diversification which off-sets risk, widens food options, and improves diet.

MOBIS partners are required to note that the USAID/Zambia Economic Growth Strategic Objective is guided by two main references: (a) **the 2004-2010 Economic Growth Section of the CSP**, which places emphasis on attaining competitiveness by focusing on high-value export agricultural sub-sectors, and (b) the US Presidential **Initiative to End Hunger in Africa (IEHA)**, which, in concert with the strategy outlined in the CSP, aims to make significant contributions to the Millennium Development Goals of reducing hunger and poverty. In order to meet the aspirations of the IEHA and contribute to broad-based economic development in Zambia, the Economic Growth Strategic Objective has expanded its target client smallholder base by including a focus on low-value staples, which are widely grown in the country. Accordingly, the updated USAID/Zambia Economic Growth Strategic Objective, as captured in the IEHA Action Plan, takes into account the different classes and situations of Zambian smallholders, namely (a) 200,000 who are not commercially viable farmers and are unlikely to ever become so, (b) 300,000 who could, potentially, become self-sufficient in food and capable of producing a small marketable surplus, and (c) 300,000 who are poor but potentially, or already, commercially viable small-scale farmers. Under the Zambia Mission's CSP, the Economic Growth SO defined its client base primarily as emergent farmers; or smallholders that fall mostly in "class c" above. The IEHA Action Plan seeks to expand client outreach to include clients in class "b" above by adopting a three-pronged approach to economic development, namely (1) Continuing to encourage high-value commercial agriculture for those farmers prepared to respond to such opportunities, (2) Promoting increased efficiencies and productivity of staple crop production through improved technologies, business readiness training and market linkages within a pro-poor, business friendly environment, and (3) Working on enabling policies and enhancing linkages to non-agriculture sectors (tourism, small scale mining, etc), as well as complementary investments in such areas as health and education.

The IEHA Action Plan is additive to the approved USAID/Zambia CSP and does not supercede it. IEHA adds depth to the food security aspects of the approved CSP while further enhancing its export production orientation through endeavoring to create an enabling environment for regional trade. In this regard, offerors on this RFQ are urged to give equal consideration to the strategic elements contained in both the CSP and the IEHA Action Plan.

Strategic Objective Indicators: Two indicators have been selected to measure program impact at the Strategic Objective level:

- The value of agriculture and natural resource-based exports, including tourism receipts: SO5 programs will endeavor to raise the national value of agriculture and natural resources exports and tourism receipts annually from \$300 million in 2003, to \$450 million by the year 2010. (The Contract Implementer will take leadership in ensuring USAID contribution to this indicator).
- The value of food and non-food agricultural production by USAID-supported groups: In 2003 groups supported by USAID/Zambia under SO1 produced \$5 million worth of agricultural products. SO5's new investments will raise the value of food and non-food agricultural products of its supported

groups to \$15 million by 2010. (The Cooperative Agreement implementer is responsible for realizing this indicator).

3.2. Intermediate Results and Illustrative Activities: Four Intermediate Results contribute towards the achievement of SO5: *increased access to market; enhanced production and added value technology provision; finance and business development services; and enabling environment for economic growth*; all combine to create the necessary support environment to enable Zambian producers attain competitiveness in domestic, regional and international markets.

MATEP shall focus on achievement of the first (market access) and fourth (enabling policies) Intermediate Results. However, because the four results are integral components to building competitiveness throughout value-chains, it will be essential that contract activities are undertaken in close alignment with the Enhanced Value Added Production and Service technologies / Finance and BDS Intermediate Result activities of the CA. Thus, an understanding of the full strategy is necessary. As MATEP is the main vehicle for achievement of the SO indicator on exports and tourism receipts, the Contract implementer, over and above collaboration with the CA implementer, is expected to look outwardly to identify other partners essential for the achievement of that indicator.

Overall, there has been realization in Zambia that benefits from trade liberalization efforts are being hampered by supply-side problems. The economic growth priorities of USAID/Zambia, therefore, going forward, in markets and trade and investment, focus on working to ensure competitiveness of the Zambian Private Sector in Agriculture and Natural Resources by ensuring:

IR 5.1 Access to Markets, especially by SMEs and smallholder farmers, through local, regional and international linkages and alliances;

IR 5.2 Delivery of Production and Processing Technologies for producers and processors to ensure quality export products, goods and services;

IR 5.3 Provision of Financial and Business Development Services for the private sector; and

IR 5.4 Working on establishing an Enabling Environment for Growth. In this key area, USAID/Zambia, through this proposed contract, will ensure implementation of the USAID Joint Regional Trade Program (JRTP), support continuation of Trade Negotiating Capacity within GRZ, work on articulating the benefits of trade agreements, assist to conclude (Pest Risk Assessments, PRAs) as a major focus area under the Africa Growth and Opportunity Act (AGOA) program, work with other donors to ensure PSD Plan implementation, work on Agricultural Marketing Plan (AMP) realization and assist in establishing a small claims court. These priorities are drawn from lessons learned over the previous years of USAID and other donor interventions in the trade and investment sectors. With regard to the PSD, the contract implementer is expected to consult widely with other donor entities in Zambia to decide which areas USAID would support given that there is a possibility that other donors may have a basket of resources supporting certain components of the PSD.

As noted earlier, the contract implementer will be required to realize IR5.1, Increased Access to Markets and IR 5.4, Improved Enabling Environment for Growth. Important aspects of these intermediate results are given below.

IR5.1, Increased Access to Markets: The ability to access markets is the primary key to smallholder agricultural growth and to expansion of rural groups' participation in and benefit from natural resources and tourism. As individual households, small farmers do not have access to export markets, and rural groups have had little opportunity to take advantage of existing markets or to expand into regional and

international markets. SO5 activities will use links to larger private sector entities and other tactics to expand smallholder market access and focus on identifying new and niche markets for agricultural and natural resource production. Under MATEP, policy initiatives to further stimulate regional trade, particularly in staples that are grown by the vast majority of Zambian smallholders, will be aggressively pursued by the contractor.

Particular attention will be paid to sustainable development of natural resource products and tourism market growth opportunities to benefit rural communities living around protected areas, while enhancing preservation of the environment through Community Based Natural Resource Management (CBNRM) approaches. Activities will identify opportunities for communities' productive participation in eco-tourism. Sustainably harvested, forest and other natural products such as fruits, fibers, grass, wood, charcoal, timber, mushrooms, honey and medicinal plants and handicrafts, as well as new products such as gemstones, present market opportunities and income potential for rural communities. Opportunities for communities living around major natural resource areas to benefit from trans-border parks and eco-tourism may also be investigated.

In addition, IR5.1 activities will focus on trade facilitation, expanding international business and trade partnerships between U.S. and regional entities, and will seek opportunities for small-scale producers to take advantage of trade opportunities under the Africa Growth and Opportunity Act (AGOA), European and regional trade liberalization initiatives. Advisory and capacity building services for the private sector and the government of Zambia will be provided to enable full understanding and direct benefit accrual from regional, bilateral and multilateral trade agreements. Through the market linkages as well as the trade and policy interventions, USAID will support actions to provide appropriate HIV/AIDS programs for the benefit of participating communities and other assisted groups.

This IR will also encompass an investment fund, through which finance will be channeled directly to the productive sectors. The investment fund will also allow USAID to leverage funds from other donors and other sources.

IR5.4 Improved Enabling Environment for Growth: A supportive and enabling policy and regulatory environment underpins all of USAID's objectives in promoting competitiveness. Activities will help develop an enabling environment through assistance to Government and other organizations to deal with policy and regulatory issues, through support to public/private sector dialogue, and through identification of trade opportunities, issues and constraints. On-going reform and refinement is needed on policy, law, regulations and their implementation and enforcement. Agriculture-related issues include:

- 1) inconsistencies in GRZ policies and practice regarding its involvement in inputs, technology development and output marketing;
- 2) policies and regulations regarding finance and rural infrastructure;
- 3) reform in and enforcement of a regulatory framework for the agriculture industry; and 4) review of the Land Act of 1995 with a view to assessing its implementation and establishing an administration system to meet emerging demand. Key policy issues in the natural resource sector are the need to:
 - a) consolidate policy on environmental matters, and up-date and revise environmental legislation and strengthen enforcement mechanisms and penalties;
 - b) revise policy and legislation regarding CBNRM; and
 - c) review aspects of land tenure.

Beyond the focus on trade-specific issues alluded to earlier, overarching issues critical to building an environment conducive to investment include:

- 1) the reform of commercial law and development of simplified and streamlined methods to deal with legal disputes regarding business and contracts;
- 2) policy and regulatory issues related to trade, particularly in response to new international and regional initiatives, especially with regard to how to effectively connect buyers and sellers;
- 3) review of the current business and investment processes; and
- 4) removing barriers that impede private sector efforts in the prevention and mitigation of HIV/AIDS. Activities under this IR will also assist stakeholders to look at the policy and regulatory framework regarding national, regional and international trade.

Activities will include support to research, policy dialogue, technical assistance and training. Given Zambia's need to respond proactively to the number of new initiatives to open trade regionally and internationally, this support will be much needed. USAID will undertake activities to inform and support efforts to develop policy frameworks in areas critical to economic development such as infrastructure including rural electrification, water and telecommunications. Overall, USAID policy interventions will seek to make major contributions to key aspects of the PSD plan.

3.2.1 Target Contract Results: The selected implementing partner will contribute to increased competitiveness of the Zambian private sector in agriculture and natural resources through interventions that reduce barriers to trade and investment, that build public and private sector capacity for economic growth facilitation and foster linkages that will enable increased access of the Zambian private sector to regional and international markets. Key indicators of progress to be tracked by the contract partner for this activity include:

- The value of total national agriculture and natural resource-based exports, including tourism receipts
- Value of client sales and services
- Number of clients accessing new markets
- Number of new products introduced on the market
- Marketing margins for selected commodities
- Value of investment in agriculture and natural resources (both FDI and local)
- Number of barriers to competitiveness identified and addressed
- Number of alliances forged for economic growth
- Value of agricultural and natural resources exports, including tourism receipts

Over and above the above results and indicators, in an effort of the economic growth team to contribute to the US Presidential Emergency Plan For AIDS Relief (PEPFAR), SO5 implementing partners can expect to work closely with the Mission's SO9 Strategic Objective to realize results aimed at preventing the spread of the pandemic, strengthening policy and systems analysis and training of counselors. A detailed results framework capturing the incorporation of PEPFAR indicators is given below.

ECONOMIC GROWTH SECTOR RESULTS FRAMEWORK

SO5. Increased Private Sector Competitiveness in Agriculture and Natural Resources

Indicators:

- Value of agriculture and natural resource based export, including tourism receipts
- Value of food and non-food agricultural production by USAID-supported groups

IR5.1 Increased Access to Markets

Illustrative Indicators:

- Value of client sales and services
- Number of clients accessing new markets
- Number of New Products introduced on the market
- Marketing margins for selected commodities

IR5.2 Enhanced Value-Added Production and Service Technologies

Illustrative Indicators:

- Number of clients engaged in improved and/or value-added production and processing
- Value of food commodities produced by agricultural and natural resource clients
- Value of production per unit of harvested land
- Value of production per client
- Production costs for selected commodities
- Number of organizations with workplace HIV/AIDS policies.*
- Number of PLWHA receiving care and support through work place.*
- Number of Technologies promoted/adopted.*

IR5.3 Increased Access to Financial and Business Development Services

Illustrative Indicators:

- Value of finance/capital accessed.
- Number of clients accessing finance.
- Number of clients receiving BDS
- Number of people reached with outreach programs***
- Number of people trained in Counseling and Testing.***

IR5.4 Improved Enabling Environment in Growth

Illustrative Indicators:

- Value of Foreign Direct Investment in agriculture and natural resources
- Number of barriers to competitiveness identified and addressed
- Biotechnology/Biosafety policy dialogue and regulatory body established.*
- Number of organizations addressing HIV/AIDS in manpower planning.*
- % of districts with information systems tracking the impact of HIV/AIDS on economic activities.*
- No of Alliances forged with public and private sector.* partners.
- Number of People trained in HIV/AIDS workplace policy analysis and related analysis.***

* These are IEHA specific indicators

*** These are PEPFAR indicators.

Critical Assumptions

The achievement of SO5 will depend on the following key assumptions:

- The GRZ will remain committed to economic diversification and give high priority to agricultural development and natural resources management. This will underpin GRZ commitment with action in the form of institutional and policy and regulatory support.
- The GRZ takes appropriate steps to improve infrastructure, such as roads, transport, power, water and telecommunications which are key to growth in these sectors.
- National macro-economic indicators do not worsen.
- Political and economic stability in the region is maintained to ensure a level playing field for increased trade.
- Global economic factors, such as, the price of oil and exchange rate fluctuations will not deteriorate further.
- Production technologies promoted are mitigating the effects of natural disasters, such as severe drought and flooding.
- The HIV/AIDS epidemic does not escalate.

4. Cross-Cutting Themes and Program Principles: An understanding of SO5 program principles, themes and clients will be essential to successful implementation of this Contract through collaboration with multiple partners. In order to appropriately capture the needs of the different classes on smallholders, USAID/Zambia is of the opinion that certain key over-arching approaches or themes are crucial in realizing success among smallholders.

Food Security: Activities under the Cooperative Agreement (which the Bidder will collaborate with) shall work towards increasing incomes and overall improvement in rural economies through improved production, food security and crop diversification to enhance resilience and food security, while promoting dietary diversity. It is anticipated that activities that involve outgrower/producer groups will provide forum to present information and training in nutrition.

HIV/AIDS: The Contract shall deal with the impact of the HIV/AIDS epidemic throughout the program. At the policy level, activities may include research and studies into the impact and mitigation of the epidemic as it relates to producer/processor competitiveness.

ICT: In order to enhance competitiveness of producers and processors, the Bidder may work to promote an enabling environment for the use of information and communications technologies, particularly in rural areas.

Value Chain: The program will adopt a market-led production approach during implementation with an aim to commercialize production in specific commodity sub-sectors. The producer will understand his/her role in the value chain through experiential learning of issues across the chain from markets through post-harvest, production and inputs. The selection of focus-crop value chains will be based on rigorous sub-sector analysis, with the primary investments targeted at those products that have the strongest prospects for comparative competitive advantages in local, regional and international markets. Bidders should note that the Zambia Mission has recently established an official justification to work within the entire cotton value chain – from production through markets.

Business Development Skills: Business services or non-financial services to businesses are becoming increasingly important in all economies, particularly in an era of increasing globalization. They are vital in enhancing the competitiveness of businesses, adding value to commodities and improving efficiency. The services are diverse in nature, offered in different forms and include training/skills development, design, advertising, business consultancy, market information, technical information, computer services, legal services, etc. Although business services are currently the fastest growing sector in many economies, they are notably weak in Zambia. The causes of weak business services markets are numerous, but fall in two broad market categories of information constraints and incentive distortions. On the demand side, potential consumers are unaware of services or benefits of services, while on the supply side, potential providers are unaware of opportunities or appropriate products. These factors prevent the effective functioning of business services market in Zambia and provide justification for USAID's support.

The focus on service provision (extension, inputs, information, market intelligence, business skills, legal, etc) will be through creating a well functioning business development services (BDS) market capacity via a mix of demand- and supply-side interventions. Smallholder organizations are expected to play a predominant role in the agriculture sector and their role should be evaluated and incorporated in the program implementation. Project interventions to provide services to smallholders and others along the value chain should be done without disrupting private sector suppliers of these services. The aim is to strengthen the demand and supply sides of these services. There are several areas that can be tackled from a BDS approach including extension services, business skills, marketing, access to credit, access and use of inputs, supply and transport, storage and marketing. In this program, USAID's approach will shift

from the direct supply of subsidized business services to a limited population, to the development of a vibrant and competitive business services market made up of private providers serving large numbers of smallholder farmers. The objective is to create a well-functioning business services market through a mix of demand- and supply-side interventions that stimulate demand for business services and strengthen the capacity of service providers and/or the quality of their services, using facilitators who are not direct players in the market, but are close to and understand the way markets and businesses work.

Producer Organizations: Smallholder organizations are expected to have a significant and well defined role of representing farmers' business interests and developing their business endeavors as well. USAID focuses on smallholder farmers as a key target group with special emphasis on increasing women's roles and leadership positions/capacities in their organizations. These organizations will ultimately develop into business-based organizations, with professional management that is held accountable to the membership. The end objective of these organizations is to increase returns to their members through provision of services on a business basis.

Environment/Natural Resources Management: The program will proactively promote environmental conservation with particular attention to soil fertility and water management, and incorporate sustainable uses of the resource base used for production to promote stewardship for sustainable use of land, water and forests. Quotations will need to reflect cognizance of Zambia's fragile resource base, and to ensure that activities are environmentally sound in design and implementation. Proposed activities should be accompanied by statements outlining potential adverse environmental impacts and discuss how environmentally sound best practices and measures to mitigate adverse impacts will be incorporated in activity design and implementation. Applicants should refer to the USAID/Zambia web site to access the Initial Environmental Examination (IEE) for the Economic Growth Strategic Objective.

Gender Considerations: Gender dynamics will be addressed in all aspects of program activities. The program is expected to benefit both men and women smallholder farmers with special emphasis on women as the most vulnerable group. In this regard, the proposal will identify disparities in opportunities and constraints that proposed activities present to men and women. Emphasis will be placed on approaches that attempt to increase benefits to women. Examples of concerns to be addressed could include enhancing women's capacity to make decisions, secure leadership roles in their organizations, increase their business tenacity etc.

Geographic area: USAID has not selected specific geographic locations for program implementation, but the program should seek to support activities in areas of the high and medium potential in terms of agricultural and natural resources output.

Division of Labor and Collaboration with the CA implementer and other Organizations: USAID desires to promote the principle of collaboration among SO5 partners. The Bidder is expected to play a leading role in helping other partners to focus on the main SO result: increased exports and tourism receipts. The product cluster/value-chain approach to competitiveness outlined in the strategic objective description is tightly integrated, and its success will largely depend on the degree to which a number of USAID-funded and other partners are able to work closely together to serve an array of key clients: smallholder farmers, small, micro and medium enterprises, government ministries and private sector associations and businesses. In addition, programs funded under other USAID strategic objectives, and by other donors are complementary to the SO5 program. In pursuit of the Strategic Objective goals and in conformance with the philosophy and approach of USAID's Global Development Alliance, the Bidder shall take cognizance of and build into its technical and management structures many levels of collaboration, and make extensive use of public/private partnerships to effectively and efficiently implement the program. The goal and underlying theme of the SO5 program is to use partnerships to attain efficiency and competitiveness through the value chain.

The contract will deal with issues pertaining to higher links in the value chain in order to open and sustainably hold export markets for Zambian businesses. Pest Risk Assessments (PRAs) on horticultural products are a potential key area of focus of the Bidder. Linkages to national and regional research entities to enable building of capacity to enhance Zambian producer productivity are other areas of contract activity. In the tourism and natural resources sector, it is expected that the contract implementer will take leadership on collaborative efforts to promote the tourism sector in general and bring tourists to Zambian tourist attractions and centers, while the Cooperative Agreement partner is expected to mobilize communities to engage in enterprise activities such as handicrafts and gemstone marketing to capture the tourism markets as well as serve to aggregate natural resource production for regional and international markets. On the other hand, the Cooperative Agreement implementer is expected to play a leading role in mobilizing producers to take advantage of such initiatives as the warehouse receipts program by effectively organizing them into reliable networks of produce aggregators. Support activities beyond the warehouse to regional and international export markets will be handled by the Bidder.

Collaboration with key Zambian organizations:

Depending on how appropriate and critical to the realization of the objectives of MATEP, potential Zambian partners may include, but not in any way limited to, the Zambia Chamber of Small and Medium Business Associations (ZCSMBA), the Agricultural Consultative Forum (ACF), the Zambia National Farmers' Union (ZNFU), the Zambia Business Forum (ZBF), the Export Board of Zambia (EBZ), Global Export Bureau, the Zambia Export Growers Association (ZEGA), the Zambian High-Value Crop Producers' Association (ZAHVAC), the Zambia Agribusiness Technical Assistance Center, Ltd. (ZATAC, Ltd.), the Zambian Agricultural Commodity Agency (ZACA), the Zambia Wildlife Authority (ZAWA) and the Association of Micro-Finance Institutions in Zambia (AMIZ), Mount Makulu Research Station (MMRS), GART (Golden Valley Agricultural Research Trust), the Cotton development Trust (CDT), the Biotechnology Outreach Society of Zambia (BOSZ), the Grain Export Traders Association (GETA), the National Institute for Industrial and Scientific Research (NISIR), the University of Zambia (UNZA), the Copperbelt University (CBU), the Partnership Forum and other possible key institutions. The Zambia National Tourist Board (ZNTB) and the Tourism Council of Zambia (TCZ) play key roles in the promotion of tourism in Zambia.

NOTE: MOBIS Partners are expected to articulate how they plan to collaborate with key Zambian organizations. USAID fully expects that many of the same key organizations will be proposed as collaborative partners within the submissions of many Applicants. Exclusive agreements with these key institutions are discouraged. However, letters of support/intent are encouraged.

Collaboration with Other Agency Programs and USAID Strategic Objectives:

Linkages to a number of regional and Washington-based Agency programs impacting on private sector competitiveness will be supportive of Contract objectives and implementation. These include regional programs related to access to regional markets through SADC and COMESA, such as the USAID Joint Regional Trade Program (JRTP), the Regional Agricultural Trade Enhancement Support (RATES) program through REDSO, and the Regional Trade Initiative and AGOA Hubs and the various programs they are implementing, the Four Corners Trans-Boundaries Natural Resources Management Program, the regional work on harmonization of grades and standards through the Regional Center for Southern Africa (RCSA), regional work on biotechnology and other key initiatives from both the Southern African and the East African Regional USAID offices. USAID/Washington programs, including the Presidential Initiative on Energy to provide assistance to Zambia on policy issues and infrastructure improvements, and the Trade for African Development (TRADE) and the Sanitary and Phytosanitary Standards Achievement (RAISE/SPS) facilities may also complement Contract activities. The Initiative to End Hunger in Africa (IEHA) programs in science and technology, market and trade, producer organizations and institutional capacity building are also supportive of SO5 activities. The Mission has prepared an

Action Plan that details how IEHA aspirations have been incorporated into the Mission's Country Strategic Plan. Further, the Agribusiness in Sustainable Natural Plant Products (ASNAPP) program may be a productive link for natural resource activities. During proposal design and implementation, the Bidder is encouraged to identify other USAID activities that would be helpful to collaborate with.

Other USAID/Zambia Strategic Objective Programs:

Several USAID/Zambia SOs directly and indirectly support the development of rural economies and agricultural and natural resource competitiveness. The Contract will also ensure that, where appropriate, its activities are used as platforms for activities under other these SOs, namely: Improved Quality of Basic Education for More School-aged Children, Phase II (SO6), Improved Health Status of Zambians (SO7), Government Held More Accountable (SO8) and Reduced Impact of HIV/AIDS Through Multisectoral Response (SO9).

Collaboration with Other SO5-funded Partners:

Collaboration with other USAID-funded partners may also be advantageous to the program. Relevant implementers of SO5-funded programs include: CLUSA – rural business groups; ACF- policy dialogue; ZCSMBA – livestock marketing; IDE – small-scale irrigation; DAI Copperbelt Alliance – agribusiness alliances for coffee production; CARE/CONASA - CBNRM; ZACA – warehouse receipts alliance; and Land O' Lakes – dairy product development and market linkages. In addition, through new collaborative efforts with Michigan State University's (MSU) Food Security Research Project (FSRP), the SO will also develop information on market supplies and constraints. Throughout the seven-year strategy, but especially as Zambia emerges from the recent food emergency, SO5 will work closely with Food for Peace and the Title II PL-480 program on food security issues and with collaborative concepts to link food assistance to development.

Linkages to GRZ and Other Donor Activities

Key government entities that will be vital MATEP contacts include the Ministry of Commerce, Trade and Industry (MCTI), Ministry of Agriculture and Cooperatives (MACO), Ministry of Science, Technology and Vocational Training (MSTVT), Ministry of Transport and Communications (MTC), Ministry of Energy and Water Development (MEWD) and the Ministry of Finance and Economic Development (MOFED).

The SO5 program also complements those of other donors, including the World Bank, EU, SIDA, the Netherlands, NORAD, DANIDA, FINNIDA, FAO, WFP, UNICEF, ADB, UNDP, IFAD, DfID and JICA. Common goals are to reduce rural poverty and ensure food security. To reach the goals, key donor intervention are: market linkages or facilitation programs involving formation of outgrower or similar groups; production improvement through labor or land saving technologies such as conservation farming, crop diversification, including introduction of new natural products; CBNRM; and policy development. HIV/AIDS prevention and mitigation has become an overarching objective of most donors in the agricultural sector.

5. Statement of Objectives

5.1 General Requirements: MATEP shall provide the requisite technical services to assist USAID/Zambia and its partners (the Government of Zambia, relevant private sector organizations, other USAID-funded partners, PVO/NGOs, and Zambian communities and businesses) to achieve increased access to markets and an improved enabling environment for small and medium agriculture and natural resource producers and processors. Bidders shall propose innovative and practical approaches both to achieve the results and to ensure adequate collaboration with the Cooperative Agreement Implementer to improve efficiency, benefits and competitiveness throughout product value-chains with the main objective

of increasing Zambia's agricultural and natural resource exports from current levels of around \$300 million to \$450 million by 2010.

The technical services required shall include, but are not necessarily limited to: long- and short-term technical assistance (TA); support to capacity building and training (including local, regional and U.S.); demand-driven research and dissemination of information; and provision equipment necessary to Contract functions.

Bidders shall propose an integrated program of activities and interventions that address the problems identified under SO5, accomplishes the tasks outlined in Section below and directly leads to the achievement of the planned results of SO5.

5.2. Contractor Tasks: This is a performance-based solicitation. USAID/Zambia has defined expected contract outcomes and has a clear perception of the importance of markets, capacity building and production enhancement, finance, policy, product cluster development and the potential of linkages throughout value chains, and the role of strategic public/private alliances in achieving these results. However, it is up to the Bidders to propose the specific approaches, human and other resource requirements, timing, etc., needed to achieve MATEP goals. As such, the tasks below are outlined in general terms.

Although the tasks listed below are described separately, there are many interrelationships among them. As noted above, there are also significant linkages to intervention that will be undertaken by the CA Implementer in support of Intermediate Results 5.2 and 5.3. Bidders shall explicitly describe how the linkages and interrelationships shall become an integral part of their technical and management approaches.

5.2.1 Task 1 -- Increase access to local, regional and international markets (IR5.1): The Contactor shall focus on identifying new and niche markets and trade opportunities for small-scale producer products, and will link production groups to large scale enterprises for new or enhanced market access. Sub-tasks may include:

- Developing markets for product clusters to increase competitiveness of producer groups. Selected clusters will include product lines with market growth potential that lend themselves to producer groups moving up the value chain. Candidate products may include, but are not limited to: cassava, horticultural crops, paprika, gemstones, maize, tourism, livestock, honey, traditional medicinal products, cotton, dairy and coffee. An appropriate mix of low value/high value crop mix is desirable in order to capture larger numbers of smallholder farmers and affect a more meaningful impact on economic growth.
- Identifying other niche, high-value or new products and new or under-exploited local, regional and international markets for small-scale producer goods and services.
- Establishing producer/market linkages. Interventions shall include assisting outgrower or larger-scale processing/marketing companies or other enterprises along the value-chain to link with small-scale producers or outgrower groups for market access.
- Assisting producers/processors to take advantage of export trade opportunities under the Africa Growth and Opportunity Act (AGOA) and other regional and international trade liberalization initiatives. In particular, the Bidder will be taking a leading role in enabling Zambian producers to benefit from the Joint Regional Trade Program (JRTP) that USAID Missions in Southern Africa are collaborating in.

- Developing trade information systems focused on smallholders and NRM producers that provide trade information and connect bids and offers.
- Identifying and promoting natural resource products for small-scale producer marketing. Promoting producer involvement in natural resource markets and cultural and wildlife tourism.
- Conducting market analyses and assessments, feasibility studies and similar research targeted to cluster development and product/market linkages.
- Establishing and managing an investment fund to enhance credit options for producers, processors and others within the value-chain. The fund shall initially be capitalized by USAID at the \$2 million level, and is part of the \$8 million contract total. However, it is anticipated that the fund will leverage resources from other donors, and/or private sector entities. The Bidder shall also investigate approaches and undertake activities to establishing fund sustainability and eventual ownership prior to contract closure for USAID's consideration.
- Providing marketing training and promotion options such as access to trade shows and local, regional and international informational tours for small-scale producers, marketers, relevant Zambian organizations and other key players in the value-chain.
- Collaborating with the CA Implementer to select programs through a CA-managed "grants window" that will support and enhance market access for small-scale agriculture and natural resource producers.

5.2.2. Task 2 -- Improve the enabling environment for growth (IR5.4) The Bidder shall work on a number of levels to improve the policy, legal, regulatory and judicial framework so as to enhance agriculture and natural resources competitiveness. Efforts (research, analysis, capacity building, and advocacy development) may be demand-driven and targeted to facilitate an enabling environment for selected product clusters, or focus on critical macro-level issues impeding trade and investment. Overall, interventions should promote development of local-level capacity for policy analysis, formulation and advocacy, and public/private partnerships for policy dialogue and formulation. Sub-tasks may include, but are not limited to:

- Supporting relevant GRZ entities and private sector institutes, advocacy groups, nascent "think tanks", and other organizations to identify, analyze and address policy and regulatory constraints to improved trade and investment. Assisting key organizations to build capacity to conduct research, analyze, disseminate information, dialogue and address market constraints, barriers to trade and impediments to business growth. Undertaking opportunistic interventions to identify and break down point sources of constraints to trade.
- Generating public/private dialogue to address key policy and regulatory issues that include but are not limited to:
 - inconsistencies in policies and practice regarding input marketing;
 - policies and regulations regarding finance;
 - consolidation of policy on environmental matters; revision of environmental legislation and strengthening enforcement; and land and land tenure policies;

- commercial law reform and development of simplified and streamlined methods to deal with legal disputes regarding business and contracts;
- domestication of regional and international trade and investment protocols and harmonizing Zambia's policy and legal, regulatory and judicial frameworks with its key external economic partners;
- revising business registration and licensing procedures to reduce lengthy and costly processes;
- ensuring elimination of unnecessary legal or regulatory barriers that block private sector efforts in prevention and mitigation of HIV/AIDS.

Other dialogue support efforts would include:

- Support the development of efficient and effective mechanisms to apply and enforce contracts and business law and regulations, including the establishment of contract arbitration clauses, expansion of arbitration capacity to rural areas and institution of efficient mechanisms for small claims redress. On this task the Bidder will work closely with USAID/Zambia's SO8, "Government held more accountable".
- Support efforts at policy level to rationalize the GRZ's role in input markets.
- Undertaking demand-driven studies and analyses regarding policy and regulatory impediments to local, regional and international trade, including those surrounding the HIV/AIDS epidemic.
- Encouraging public/private dialogue on policy, regulatory and other issues affecting trade, investment and growth, including such areas as biotechnology.
- Identify policy, regulatory and other issues surrounding development of technology applications, such as ICT, or infrastructure (roads and electricity) that might improve product development and marketing for agriculture and natural resources producers/processors.

5.2.3. Task 3 – Foster dialogue, collaboration and capacity building among Zambian institutions at all levels of intervention: Wherever possible, the Bidder shall undertake the program and the tasks described above in close collaboration with relevant Zambian institutions, and shall use these collaborative efforts and others to enhance public/private sector dialogue and build capacity among key Zambian institutions in the areas of market development, policy and regulatory reform and trade and investment promotion. Relevant Zambian institutions may include, but are not limited to:

GRZ authorities such as the Ministries of: Agriculture Food and Fisheries, Lands, Finance and Economic Development, Commerce, Trade and Industry, Communications and Transport and Energy and Water Development, the Zambia Wildlife Authority (ZAWA), the Zambia Export Board, and the Zambia Agriculture Commodities Agency (ZACA), and the Mount Makulu Research Station (MMRS). Other private sector organizations may include, but are not limited to: the Agriculture Consultative Forum (ACF), the Zambia Chamber of Small and Medium Business Associations (ZCSMBA), the Zambia National Farmer's Union (ZNFU), the Zambia Business Forum, the Association of Microfinance Institutions in Zambia (AMIZ), the Zambia Export Growers Association (ZEGA), the Zambia Business Forum (ZBF), the Zambia Agribusiness Technical Assistance Center (ZATAC, Ltd.), Global Export Bureau, the Golden Valley Agricultural Research Trust (GART) and others.

5.2.4. Task 4 – Integrate USAID/Zambia cross-cutting themes: At all levels of the technical program, the Bidder shall ensure that activities supporting USAID/Zambia’s cross cutting themes are addressed. Contractor actions shall include:

- Incorporating measures to address food security issues and needs in the development of markets, trade promotion, and in improving the policy and regulatory environment, such as acceptance of warehouse receipts in place of expensive physical grain stores.
- Structuring interventions so as to identify and address gender constraints and concerns. Increasing women’s equitable participation in and benefit from production and marketing. Conducting research and studies on issues affecting women’s entry into substantive agricultural and natural resources and tourism markets. The Contract shall target 33% female participation in interventions.
- Promoting an enabling environment for the use of information and communications technologies (ICT), particularly in rural areas.
- Promote the use of appropriate Information and Communications Technologies, particularly in rural areas.
- In collaboration with the CA implementer and other stakeholders, promote the demand for and the supply of Business Development Services (BDS) within the domestic marketplace
- Promoting activities that support cross-border initiatives.
- Incorporating interventions to address the HIV/AIDS epidemic throughout the Contract program. Intervention may include research and studies on mitigating the impact of the epidemic on market access and trade and investment, and promoting a range of workplace prevention, awareness and outreach programs.
- Ensuring that all Contract interventions manifest a high degree of environmental awareness and protection. As a minimum, Contract interventions shall meet the requirements of Strategic Objective 5’s Initial Environmental Examination (IEE) with regard to mitigating negative environmental impact.

5.2.5. Task 5 – Program management and administration:

- Establish program management systems to ensure effective use of Contract inputs to generate planned outcomes and results, and adequate cooperation and collaboration with the CA Implementer. Operationally this collaboration and cooperation may include:
 - 1) joint development of a life-of-program strategic plan and annual action plans;
 - 2) establishment of an program operations management team (and/or steering committee);
 - 3) frequent and regular meeting of management team;
 - 4) establishment of complementary management systems to ensure accomplishment of results throughout the value chain;
 - 5) establishment of complementary monitoring and evaluation (M&E) plans and systems, and regular joint review of results and results reporting;
 - 6) shared use of investment fund and grants facilities; and
 - 7) where feasible, shared use of facilities, equipment, and logistic and administrative services.

- Design and operationalize a monitoring, evaluation and reporting system, compatible with that of the CA Implementer. The system shall efficiently and effectively collect, collate, analyze and report data on all program performance indicators agreed with USAID/Zambia and on all other information necessary to maintain performance momentum and smooth program management and administration.
- Provide all necessary management, administrative, logistic, and technical support for personnel including long term employees and short term consultants.
- Procure project commodities in a timely fashion based on carefully developed budgets. These commodities may include office and residential furniture, office equipment and supplies and vehicles to support the long term TA team.

6. Roles and Relationships: The proposed Contractor shall be responsible for ensuring achievement of results and for all products and reports required under this Contract. The Chief of Party shall be expected to serve as the Contractor Representative in Zambia and to represent the Contractor in all matters pertaining to the execution of the Contract.

7. Deliverables: In addition to the reports required by the AIDAR clause and those to be included in the award, the following deliverables will also be required:

a) Quarterly and annual reports, as well other intermediate reports as necessary, indicating progress made towards achieving the end of contract target of \$600 million in agricultural and natural resource exports, including tourism receipts.

b) Indication of activities and progress made under key private sector reform areas as outlined in the Private Sector Development Plan and the tasks outlined in the Statement of Objectives. Milestones achieved through contract interventions in the areas of removing barriers to trade, fostering linkages among players in the value chain, forging stronger public/private sector dialogue and capacity building of the Zambian private sector should be clearly highlighted.

8. Personnel Qualifications and Skills

Bidders are expected to propose a team composition that they feel is necessary to achieve the desired results of the activity. Key technical personnel must have the following credentials:

Chief of Party: Chief of Party, taking the lead in policy dialogue and stakeholder ownership, in addition to his/her coordination and oversight duties.

- Minimum of 15 relevant years of experience in subject areas covered by the Statement of Objectives
- Relevant regional knowledge and experience

Market Development Specialist:

The Market Development Specialist will fill out the top technical team, and will focus on leveraging the favorable policy revisions and trade regimes by building a network of trading partners throughout the region and beyond.

In a collaborative effort, involving a broad array of stakeholders, the Market Development Specialist will identify and cultivate trade opportunities throughout the region; and build the capacity of the private sector to more effectively take advantage of those opportunities.

It will also be his/her responsibility to ensure that Zambian products take advantage of the opportunities that have arisen out of negotiated lower tariffs and increased quotas within the region. This also applies to WTO and bilateral agreements.

- Minimum of 10 years of relevant experience in subject areas covered by the Statement of Objectives
- Relevant regional knowledge and experience

Trade Advisor:

This position will entail building private/public-sector capacities in trade negotiations and multi- and bi-lateral agreements

- Minimum of 10 years relevant experience in subject areas covered by the Statement of Objectives
- Relevant regional knowledge and experience”

9. Data Sources: The main data sources for this solicitation are the following references available on the USAID/Zambia website: www.usaid.gov.zm.

- USAID/Zambia Country Strategic Plan FY2004 – 2010, and Annexes.
- The Development Context of Zambia: An Update and Analysis with Lessons Learned and Recommendations for USAID’s Next Strategy Plan
- USAID/Zambia IEHA Action Plan
- Agric Commercialization Program (ACP): Poverty Reduction Strategy Plan (PRSP)
- Assessment of Zambia’s Private Sector, Agriculture & Natural Resources Sectors
- Trade and Investment Opportunities in Agriculture, ZAMTIE Project, 2001
- BDS Guidance from EGAT/MD
- ZAMTIE Maize Marketing Study
- Private Sector Development Plan (PSDP)
- Joint Regional Trade proposal for Zambia.
- Financial Sector Development Plan – 2004 – 2009 (June 2004)
- Strategic Objective 5 Initial Environmental Investigation (IEE)