MID-TERM EVALUATION REPORT ON WAREHOUSE RECEIPTS PROJECTS IN EAST AND SOUTHERN AFRICA FINANCED BY COMMON FUND FOR COMMODITIES (CFC)

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ABBREVIATIONS AND ACRONYMS

ACE	Audit, Control and Expertise
APC	Associate Project Coordinator
CDO	Cotton Development Organisation
CFC	Common Fund for Commodities
CM	Collateral Manager
CMA	Collateral Management Agreement
CTA	Chief Technical Advisor
GMB	Grain Marketing Board (Zimbabwe)
ICAC	International Cotton Advisory Committee
ICO	International Coffee Organisation
IFAD	International Fund for Agricultural Development
ITS	Intertek Testing Services
LMU	Local Management Unit
LPO	Local Project Officer
MCM	Ministry of Co-operatives and Marketing (Tanzania)
MLARR	Ministry of Lands, Agriculture and Rural Resettlement (Zimbabwe)
MOU	Memorandum of Understanding
MTTI	Ministry of Tourism, Trade and Industry (Uganda)
NAADS	National Agricultural Advisory Services (Uganda)
NAC	National Advisory Committee
NPC	National Project Coordinator
NRI	Natural Resources Institute
PEA	Project Executing Agency
PMA	Plan for the Modernisation of Agriculture (Uganda)
SPEED	Support for Private Enterprise Expansion and Development (Uganda)
TAC	Technical Advisory Committee
TCLSB	Tanzania Cotton Lint and Seed Board
UCDA	Uganda Coffee Development Authority
UNOPS	United Nations Office for Project Services
WR	Warehouse Receipt
WRS	Warehouse Receipt System
ZCM	Zimbabwe Coffee Mill
ZIMACE	Zimbabwe Agricultural Commodity Exchange

EXECUTIVE SUMMARY

A mid-term review of two projects, funded by the Common Fund for Commodities (CFC), to improve the coffee and cotton sectors in Eastern and Southern Africa was undertaken in June-August 2003 by a team from the Natural Resources Institute (NRI), which included the lead partner of Day Robinson International. The projects are: Coffee Market Development and Trade Promotion in Eastern and Southern Africa (CFC/ICO/03FA) and Improvement of Cotton Marketing and Trade Systems in Eastern and Southern Africa (CFC/ICAC/12FA) – in Uganda, Tanzania and Zimbabwe. The main findings and recommendations of the Team are as follows:

i. The two projects differ in only commodity focus and not much else. They share similar objectives, design features (including project outputs), and implementation strategy. The institutional arrangements and systems for managing them are the same.

ii. There has been progress in delivering project outputs aimed at improving market information and quality assurance systems, as well as in drafting supportive warehouse legislation. However, there has been little progress in achieving the primary project objective, that of implementing viable warehouse receipt systems (WRS) for the two commodity sectors.

iii. There are good prospects of achieving project objectives in all three countries, particularly because of strong support from both the private sector and Government. Furthermore, project design issues as well as implementation and management problems, which hampered implementation, can be remedied if recommendations made in this report are implemented.

iv. Based on the above considerations, the Team recommends a *no-cost extension of the projects for two years* (sufficient funds remain within budgets for the projects), subject to changes in design and management. Changes in design and implementation strategy recommended include the following, to:
   - Change focus from developing “separate”, commodity-specific WR systems to a multi-commodity system for storable commodities, including (and beginning with) cotton and coffee. This implies the two projects have to be implemented and managed as one. It also calls for close collaboration with, and co-ordination between, implementation of the CFC project and other WR initiatives, specifically in Uganda and Tanzania.
   - Prioritise the development of a WR system, in which lenders especially have confidence. Placing promulgation of legislation ahead of devising detailed plans to establish viable WR systems, in terms of project priorities, contributed immensely to delaying project implementation, especially in Zimbabwe.
   - Clearly define, in the plans for establishing the WR system, criteria for selecting participating warehouse operators; roles and responsibilities of warehouse operators, collateral managers and regulatory authorities; and provide tangible details of the receipts proposed (including security features and rights and obligations of operators of the system and holders of the receipts).

- Adopt an approach that assures deposit of economic volumes of produce in well-run warehouses accessible to traders, processors, large farmers and well-organised smallholder groups, rather than to narrowly target deposits from smallholders in warehouses in remote rural locations. However, the Action Plan should include a credible strategy that facilitates smallholder participation in the system without undermining its sustainability. This will require, on the one hand, that the WR systems promoted allow for deposits by multiple depositors in participating warehouses. It will also need the promotion of small-farmer groups, enabling them to deposit minimum economic volumes.
- Treat activities to improve market information and quality assurance systems as essential building blocks for a viable WRS, rather than as "equally important and independent" interventions to improve domestic marketing of the two commodities.
- Encourage, where feasible, participation by collateral managers (CMs) in the development of warehouse receipts systems, particularly in Uganda and Zimbabwe, where the CMs have achieved a high level of credibility in facilitating inventory-based finance.
- Delay disbursement of the loan component of the project, until sustainable systems of warehouse receipt issuance is in place and there is proven demand for the credit line in any of the participating countries. The loan component is not a major attraction to financial institutions in Uganda and Tanzania, as access to loanable funds is not a binding constraint. Banks in Zimbabwe appear keen to take advantage of the credit line mainly as a means of easing foreign exchange constraints.

v. Considering that there has been substantial investment in vehicles and equipment for the projects; and assuming similar pattern and level of spending within the country components, it is the view of the Team that an extension for two years not will require additional funding by the CFC. However, there will be need to vire funds to cover potential funding shortfalls in Tanzania and Zimbabwe. At current levels of spending, a total of just over US $1 million may have to be vired from the PEA budget to cover funding gaps in Tanzania and Zimbabwe, leaving about US $850,000 to cover the PEA expenses. Viring of funds will, however, have to await the development of comprehensive plans by the LMUs and the PEA, and the determination of priority activities that should be funded over the period of extension.

vi. The PEA was unable to provide technical guidance, build critically needed local capacity, and ensure compliance by the local management units (LMUs) with project reporting requirements, leading to confusion about how to devise appropriate project interventions. The problem was compounded by blurred lines of responsibility, especially at the local level, where there was lack of clarity regarding the functions and authority of the National Advisory Committee (NAC), the collaborating organisations, the National Project Co-ordinator (NPC), the Local Project Officer (LPO) and the Associate Project Co-ordinators (APCs). Bureaucratic financing and reporting systems also hampered implementation. Root-and-branch changes in project management structure are needed to remedy this situation, including the following:

- The capacity of the LMUs to deliver project outputs should be strengthened through ensuring that they are manned by permanent, fully committed staff and not part-time representatives of collaborating organisations. Staff training in relevant areas mentioned in the report should also be provided to ensure they have the capacity to perform the required tasks.
- Further to the above, the Team recommends abolition of the position of APC, with their functions being performed by staff of the LMUs, who must be recruited on the basis of technical competence and experience, and not as representatives of commodity sector interests.
- As and when needed, middle-level personnel of the collaborating organisations may be engaged by the LMU to help devise and/or implement particular interventions targeting their sector. Their role will include commenting on the suitability of specific project plans as they affect the commodity sectors they represent, linking the LMUs to farmer groups and other key sector players and facilitating consultations with such players.
- The current functional role of the NPC should be performed by the Head of the LMU (currently designated as the LPO). This implies that the LPOs need to be well-qualified and should have experience in managing projects. Persons with experience in trade finance and collateral management should be preferred candidates.
- The LMUs should be assisted by the NAC, representation on which should be skewed in favour of the private sector and broadened to include other commodity sectors seen as potential candidates for inclusion in the receipts system. NAC meetings should preferably not exceed two times a year, and the remit of NAC should be to review and advise on Action Plans, annual workplans and budgets produced by the LMUs, and to monitor progress with implementation, providing relevant comments as may be necessary. It is expected that sectors represented on the NAC will seek to pursue their respective interests via the platform created by NAC meetings and not through representation at the LMU. Similarly, NAC and collaborating organisations should not be involved in operational issues, including exercising day-to-day control over the activities and finances of the LMU. However, the LMU may involve individual members of NAC in specific activities like meetings with key private sector players and Government.
- Technical Advisory Committees (TAC) of NAC, which may co-opt local technical experts as needed, should be set up to provide advisory inputs to the LMUs in the preparation of plans and budgets; procurement of local consultancy services, equipment and other services; and in monitoring project implementation. The TACs may meet more regularly, depending on project activities being undertaken, and the membership should be limited to between five and seven., It is recommended that senior (executive) personnel of the collaborating organisations as well as current NPCs (in Uganda and Zimbabwe) should serve on the TACs as is the case in Tanzania.

vii. Despite retaining two Chief Technical Advisors (CTAs), the PEA was unable to offer any significant technical inputs. In view of this, the Team recommends that, if the PEA is to be retained, it should be required to sub-contract a reputable consulting organisation with a track record in implementing warehouse receipt projects to offer the required technical advice and to procure international consultancy services when needed. The PEA should also demonstrate its capacity to provide support in the following key areas: timely disbursement of funds, ensuring compliance by LMUs with project reporting requirements, and arranging suitable training for project staff and other stakeholders.

viii. However, if the client decides to contract a new PEA, the Team recommends that it should be an entity with technical expertise and experience in running warehouse receipts projects, and an understanding of the political, cultural and socio-economic conditions in the participating countries.

1. INTRODUCTION

1.1 Background

This report is based on a mission at the request of the Common Fund for Commodities (CFC) to undertake a mid-term review of two projects to improve the coffee and cotton sectors in Eastern and Southern Africa through the development of warehouse receipts systems (WRS). The projects are: Coffee Market Development and Trade Promotion in Eastern and Southern Africa (CFC/ICO/03FA) and Improvement of Cotton Marketing and Trade Systems in Eastern and Southern Africa (CFC/ICA/12FA). Uganda, Tanzania and Zimbabwe are the participating countries.

The review was carried out by Gideon Onumah (Team Leader) and Ana Marr of the Natural Resources Institute (NRI), Alan Marter (an associate of NRI) and Daniel Day-Robinson of Day-Robinson International. In accordance with the terms of reference for the assignment (Appendix 1), the Team evaluated project design, implementation strategy and management, including the role of Project Executing Agency (PEA), its Chief Technical Advisor (CTA), the local management units (LMUs), National Advisory Committees, collaborating organisations and the supervisory bodies.

The evaluation involved desk reviews of the two commodity sectors and relevant country conditions, followed by field visits, during which the Team examined project documentation and had meetings/consultations with various parties in Government and the private sector.

1.2 Project objectives and outcome

The project Appraisal Reports were prepared in 1997, and implementation began in January 2001. The two projects differ in only commodity focus and not much else. They share similar objectives, design features (including project outputs) and implementation strategy. The institutional arrangements and systems for managing the two projects are the same. The objectives, as outlined in the Project Appraisal Reports, were to:

a. Improve and increase the potential benefits from coffee/cotton production and marketing to countries in the region, within the framework of a liberalised global market;

b. Increase export earnings from coffee/cotton production and marketing in the participating countries;

c. Improve the income of smallholder coffee/cotton producers and small-scale traders in the coffee/cotton trade, by increasing their share of export prices and limiting their risk exposure;

d. Develop and test systems of coffee/cotton financing, marketing and trade that can be replicated in other developing producing countries; and

e. Strengthen public and private institutions and improve local human resource capacities to operate effectively in a liberalised market.

These objectives are to be achieved through activities aimed at the following outputs:

i. Promotion of privately run warehousing systems and the establishment of collateralised warehouse receipt systems, including undertaking inventory of warehousing infrastructure and adopting criteria for selecting warehouses and operators to issue warehouse receipts; as well as getting supportive warehouse legislation promulgated.

ii. Development of basic market information systems

iii. Development of quality assurance and certification systems

iv. Development of a system of commodity trade finance based on inventory collateralisation and a warehouse receipt system.

The project design requires that the first three outputs, as basic building blocks, support the fourth output. In all three countries, some progress has been made in achieving the first three outputs, but little or no progress has been made in developing the WRS. In the opinion of the Team, the lack of progress in implementing output four has less to do with disabling environments in the participating countries, but more to do with issues related to project design and implementation strategy as well as failure of the project management structure. These are discussed below.

1.3 Project design and implementation strategy

1.3.1 Project design issues and implementation strategy

The development of warehouse receipts systems for cotton and coffee was intended to be achieved under the two separate projects (CFC/ICA/12FA and CFC/ICO/03FA). Consequently, the projects are virtually administered separately, with two separate filing and accounting systems being maintained. For example, reports to UNOPS are made regularly in separate formats. Costs are allocated per “project” and expenses covering general activities, like NAC meetings, are shared between the two projects. The duplication and regular cost-splitting exercise is an unnecessary waste of time and contributes to inefficient resource use and implementation difficulties.

The projects have rather narrow (single) commodity focus, limiting opportunities for including other storable commodities. A multi-commodity WRS will improve the prospects for achieving sufficiently high throughput of receipted commodities, resulting in two related benefits: the regulatory agencies (proposed in draft warehouse bills) will achieve financial sustainable within a reasonable period, and the unit cost of overseeing the receipt system as well as providing finance to depositors will be lower, thus making the system more attractive.

The titles of the two projects and the way outputs were defined seem to have created the misconception in the management units (UNOPS and local) that the overriding objective was to improve marketing systems for cotton and coffee. Project outputs were seen as “*separate and of equal importance*”. It was not understood that the goal of improving crop marketing systems under the project, was to be achieved through developing viable WRS for the commodity sectors. Furthermore, project managers did not appreciate that the other outputs (market information and quality assurance systems and supportive legislation) were to be seen, primarily, as essential building blocks in establishing the WRS.

Target beneficiaries
Smallholder farmers were intended to be the main beneficiaries of the receipt system. However, a review of the commodity marketing systems in the participating countries revealed that it is not economically feasible to target deposits by farmers at village-level facilities, because the low volumes of commodities stored and/or traded at that level can not sustain a WRS that is not perpetually subsidised. The choice of storage facilities at coffee curing factories and ginneries for deposits under the system in Tanzania and Zimbabwe assures more economic volumes. In Uganda, however, the pilot under consideration targeted deposit by farmers in small warehouses close to the producers, even though bankers and members of the commodity bodies, with whom the Team interacted, were of the view that this option was not viable.

Over-emphasis on legislation
Priority was given to getting supportive warehouse legislation promulgated. This was based on the assumption that legislation will engender confidence, especially among banks, in the receipts system and lead to a surge in WR financing. This approach ignores experience in Africa, especially South Africa, where a functional receipt system has emerged without specific enabling legislation. In contrast, a country like Brazil has warehouse laws dating back more than 100 years but lacks a functional WRS because of disabling elements in the policy environment, including location of the regulatory function within Government. In Zambia, supportive legislation is only being sought after the WRS for grains has been developed, its success in attracting deposits and finance being primarily dependent on measures adopted to assure depositors, lenders and insurers about the security of their interest in WRs.

The emphasis on warehouse legislation appears to have diverted attention from the more fundamental task of implementing a viable WRS. In Zimbabwe, it delayed piloting a modified version of a receipt system for grains, which was successfully introduced in the country by the Zimbabwe Agricultural Commodity Exchange (ZIMACE) prior to the launch of the project. The ZIMACE system collapsed after heavy Government intervention in the grain market in 2002.

Involvement of collateral managers (CMs)
There is a perception that the WRS envisaged under the project is in competition with the system of issuing non-negotiable receipts by collateral management companies. It is true that, if the project leads ultimately to negotiable WRs, which enjoy the confidence of banks, being issued and making financing cheaper, the traditional collateral management agreements, which allow inventory-based financing to be provided, will become less attractive. The involvement of collateral managers (CM) does not appear critical to the success of the Tanzanian pilot. However, in Uganda and Zimbabwe, where the CMs (notably ACE in Uganda and ITS-Socotec in Zimbabwe) have achieved a high level of credibility in the market, it will be mutually

advantageous to encourage participation by the CMs in developing the WR system under the project.

Loan Component
The rationale for including the loan component of the project was to offer resource-constrained banks, interested in providing finance against WRs, additional loanable funds. At the time the project was conceived, this rationale could be justified. However, the situation in the financial sectors in Uganda and Tanzania, at the time of the review, which is discussed in the relevant country sections, differs significantly from what prevailed when the project was conceived. Banks in these countries are awash with excess liquidity. With earnings on government debt instrument, especially treasury bills, falling as result of reduction in public sector borrowing, the banks appear more interested in exploring relatively low-risk but profitable lending opportunities, as is for instance possible with WR financing, than in accessing additional credit lines. As at the time of the review, not much consideration had been given to the possibility of using the loan component, for instance, to finance a guarantee scheme to encourage commercial lenders entering a nascent system to accept warehouse documents as a sole form of collateral.

Implementation capacity
The PEA was required to provide technical guidance and to build the capacity of local stakeholders and managers to devise and implement credible interventions necessary to achieve project outputs. The PEA failed to provide these inputs, as admitted by the UNOPS Co-ordinator. Details of weaknesses in the management structure are discussed below.

1.4 Project management structure

Project implementation and management involves the following: UNOPS as the Project Executing Agency (PEA), local management units (LMU), comprising the project officers (LPOs), the National Project Co-ordinators (NPCs), and the collaborating organisations; and the supervisory bodies (including as the funding agency and the ICO and ICAC). The structure of relations between these parties has been complicated by lack of clarity about roles and responsibilities, as well as by the fact that there are two projects, distinguishable by their commodity focus and very little else, resulting in duplication of administrative structures and functions. The roles and performance of the PEA and supervisory bodies is reviewed in this section. Since the performance of the LMUs and collaborating organisations in the participating countries differ, we report on them in the various country sections.

1.4.1 The Project Executing Agency (PEA) – United Nations Office for Project Services (UNOPS)

The understanding of the Review Team is that the role of the PEA includes the following:

- Providing technical guidance to local project managers and other stakeholders in devising and implementing programmes and strategies to achieve project outputs;
- Monitoring and evaluating implementation activities;

- Building/strengthening the capacity of local project personnel and key stakeholders; and
- Providing administrative support – including disbursement of project funds, management of senior project staff, procurement of equipment and consultancy services, and reporting of project activities and progress to CFC.

UNOPS manages project resources in developing and transition economies. The main portfolio of its Regional Office in Nairobi, which caters for East and Southern Africa, involves provision of supervision and loan administration for projects funded by IFAD. UNOPS has no track record in managing warehouse receipts projects. Responsibility for performing the functions stated above was, therefore, assigned to a Chief Technical Advisor, based in Nairobi.

The Team was made to understand that the first CTA employed by UNOPS was replaced with Mr. Roland Meier on the grounds of under-performance. Mr. Meier has good credentials, having worked with a major collateral management firm for a considerable number of years. At the time of the review, the UNOPS management had taken a decision not to extend Mr. Meier's contract, based on concerns from CFC about his performance.

The Team noted that Mr. Meier failed to:

- Provide effective professional inputs to help to formulate plans and strategies for establishing viable WRS, and even where the LMUs identified models with potential, he failed to provide advice needed to refine them so as to improve chances of successful implementation.
- Develop effective networks with key stakeholders, especially the banks, in order to assure their participation in implementing the WRS. The Team was informed that, to remedy this situation, CFC agreed to the PEA's suggestion to engage a consultant for 8 weeks in November/December 2002 to carry out this specific task. Unfortunately, this opportunity was lost as the consultant was reportedly engaged in "tasks unrelated to the project".
- Use a window of opportunity conventionally created by the preparation of annual workplans and budgets to seek revision of project design, outputs and implementation strategies, despite having noted the need to do so. Separate workplans and budgets were submitted to CFC by the LMUs, but the PEA did not consolidate these into an integrated plan with clear strategic direction and suggestions for changes in project design and implementation.
- Develop any training programmes for project personnel and stakeholders.
- Ensure effective reporting of project activities by the LMUs.

The management and organisational skills of the last CTA appeared weak, and he seemed to lack drive. The CTA visited Tanzania on seven occasions but these visits were restricted to the project office, the Ministry of Cooperatives and Marketing, some banks and collateral managers. There is no evidence that he tried to understand the model being piloted by the LMU, to enable him to provide guidance for refining it. His focus appeared to be more on administrative issues, like record keeping.

The UNOPS management, especially the Co-ordinator, was aware of the failings of the last CTA, but neither initiated his replacement nor attempted to complement in-house capacity with short-term inputs from competent international consultants. They acted only after CFC indicated it was unwilling to extend contracts (for the CTA and some project staff on UNOPS payroll) until after the mid-term review. The failure of UNOPS to act promptly appears to reflect the unwillingness of its management to take full responsibility for project outcome as is expected of the PEA, with the blame for its inability to perform some of its contractual obligations being placed mainly on the CTA.

In the opinion of the Review Team, non-performance by UNOPS (and not just the CTA) is the major cause of lack of progress in achieving some project objectives.

1.4.2 Project supervision

CFC personnel on supervision missions have interacted with the PEA (UNOPS), the LMUs and collaborating institutions. The status of the supervision missions did not appear to be clear to local project staff and other stakeholders, with respect to project monitoring. There were strong feelings that, on the one hand, it was difficult for LMUs to initiate changes in project design and implementation strategy, and on the other perceptions of interference by CFC. However, the Team did not find supporting evidence to substantiate these.

The involvement of the commodity bodies, the International Coffee Organisation (ICO) and International Cotton Advisory Committee (ICAC), in project supervision has been rather marginal. Staff of the ICO explained that they had not been active in project supervision because of inadequate funding for missions. For instance the ICO received reimbursement from the PEA for the first and only supervision mission undertaken in February 2001 after July 2003.

1.5 Project Financing Arrangements and Control Systems

The PEA’s financing structures have, in the view of the Review Team, presented significant problems for the financial administration of this project. The structure requires that LMUs submit applications to the PEA for payment of project expenses. The PEA passes these requests, once it has approved them, to its New York HQ for approval before being submitted to CFC for reimbursement. The process is convoluted and bureaucratic. Partly as a result of this, the PEA was unable to draw down disbursements from CFC and pre-financed the project from its own resources. The Review Team considers the terms of the CFC Financial Procedures Manual as quite clear and adequate for managing project finances.

Some weaknesses in internal controls and management of project resources were observed. For example, in Uganda, part-time team members have been paid considerable allowances without being given personal work targets or job descriptions. Also in Uganda and Zimbabwe, local project managers did not have in their possession inventories of equipment purchased or the location of such equipment, although this information could have been obtained from the collaborating institutions. It has been reported that, following the review, the Ministry of Lands, Agriculture and Resettlement has instituted an audit of the LMU in Zimbabwe to remedy this situation. A full-scale financial audit was beyond the remit of the Review Team.

1.5.1 Project spending and funding for extension

As at the end of June 2003, about 50% of the total budget of just over US $6.9 million for the two projects remained unspent. Spending by component of the combined budgets is shown in the table below.

COMPONENT	COMBINED BUDGET (US $)	TOTAL SPENDING (US $)	BALANCE (US $)	PROPORTION OF BUDGET SPENT (%)
UGANDA	1,911,130	855,929	1,055,201	44.8
TANZANIA	1,716,027	1,149,090	566,937	66.9
ZIMBABWE	634,077	540,845	93,232	85.3
PEA	2,668,758	787,262	1,881,496	29.5
TOTAL	6,929,992	3,333,126	3,596,867	48.1

The purchase of a hi-tech cotton quality testing equipment for the Tanzania Cotton Lint and Seed Board (TCLSB) partly accounts for the high level spending in Tanzania. The TCLSB charges user fees for quality certification services, at a rate which will allow them to recover equipment cost within 5 years. Exchange rate losses, primarily due to exchange controls, are the main cause of the high level of spending in Zimbabwe.

Expenditure on Vehicles, Machinery & Equipment; and Materials & Supplies accounted for almost 22% of the original budget. It is expected that there will be significantly less spending on these items: first because there has already been substantial investment in vehicles and equipment and also because actual spending in materials and supplies was less than 50% of what was anticipated.

Assuming the same level of spending within the country components, an extension for two years will imply the need to vire funds to cover potential funding shortfalls in Tanzania and Zimbabwe. At current levels of spending, a total of just over US $1 million need to be vired from the PEA budget to cover funding gaps in Tanzania and Zimbabwe, leaving about US $850,000 to cover the PEA expenses. It is the view of the Team that this will be adequate for the PEA.

2. UGANDA COMPONENT

2.1 Introduction

Implementation of the project begun in January 2001. While progress has been made in the development of market information systems, promotion of quality assurance systems, and drafting of supportive warehouse legislation, project outcome as far as the core output, establishment of a warehouse receipt system (WRS) for coffee and cotton is concerned, has been disappointing.

2.2 Country conditions relevant to project outcome

2.2.1 Strong and stable macroeconomy

Uganda's macroeconomic performance has been strong over the past 5 years, with average GDP growth of 6% per annum. Inflation is below 5%, compared to rates of 30% to 40% in the early 1990's. The fiscal deficit is high (about 12% of GDP in 2001/02), but it is financed mainly through aid support programmes, resulting in reduced public sector borrowing, and consequent decline in earnings on Government debt instruments (especially on Treasury Bills).

2.2.2 Competitive financial sector

Uganda has a relatively competitive banking sector, comprising about 20 banks with capitalisation estimated at over $900 million. As a result of the reduced public sector borrowing, banks in Ugandan have excess loanable funds and are under pressure to explore profitable, but relatively low-risk lending opportunities. Banks like Stanbic Merchant Bank, Standard Chartered Bank and Orient Bank, have engaged in structuring inventory-based finance, especially for cotton traders and ginners, under collateral management agreements involving mainly Audit Control and Expertise (ACE) as collateral managers. This form of financing is typically based on the following:

a) The provision of a Collateral Management Agreement ("CMA") between the borrower, the collateral management service provider and the lender.
b) A fixed and floating rate charge on the borrower's assets
c) Knowledge of the bank client's track record and financial performance ("know-your-client")
d) Personal charges over the assets of directors and/or shareholders
e) The existence of an off-taker of the commodity
f) An appraisal by the bank's account manager of the overall viability of the borrower's proposal and the lending rationale contained within it.

Should the project facilitate the development of a negotiable warehouse receipt system (WRS), in which the private sector has confidence, this could mitigate the degree of need for items (a), (b), (c) & (d) above. Furthermore, since lending rates depend on the perceived level of risk, a WRS that assures greater security will drive down borrowing costs.

The USAID is funding a project – Support for Private Enterprise Expansion and Development (SPEED) – comprising technical assistance and credit support interventions that allows banks to make advances against specific financing propositions. Under the project, portions of *acceptable* loans are underwritten by means of indemnities offered to lending banks. The participating banks are assessed by rating and performance by the Project Secretariat.

2.2.3 Availability of collateral management services

The market for collateral management services is dominated by Audit Control and Expertise (ACE), which has developed CMA products considered extremely useful by collaborating organisations, such as the Cotton Development Organisation (CDO), because they have created new financing opportunities, particularly for the cotton ginners. Other collateral management companies, including SGS, which used to dominate the African market, have only a marginal presence in the market. However, banks do not accept CMAs as the sole collateral, and the loans are very “bespoke” in nature, meaning each transaction has to be negotiated separately, taking a lot of time. The CMAs are expensive, costing around US $2000 per month per site. This is in addition to storage charges of between US$1.5 and US$2.00 per tonne per month. Despite these concerns, it was apparent to the Review Team that, with the depth of involvement of ACE in commodity finance in Uganda, the prospects for developing a WRS without their participation will be substantially reduced.

2.2.4 Suitable storage facilities are available

In the cotton sector, storage facilities with capacity of 1-5 tonnes exist in locations accessible to the primary cooperative societies. The cotton ginneries have large stores for seed cotton, lint and cottonseed, with capacity to store between 1,500 and 3,000 tonnes of seed cotton. The facilities are run by staff of the ginneries who are reported to be very knowledgeable about the cotton trade and what is required to store the commodity without significant loss of quality. Coffee tends to be stored for relatively short periods, and the view of the Uganda Coffee Development Authority (UCDA) was that commodity finance was not as critical a problem to the trade as was the lack of an effective system to assure the delivery of quality coffee to attract premium prices. There are large warehouses for storing commodities like maize and beans, including a 30,000-tonne capacity warehouse in Kampala managed by Uganda Grain Traders Ltd. The facility, which is new, is in excellent condition and professionally managed.

There are good prospects for receipt financing for grains because of wide seasonal price variations and the potential for Ugandan traders to export to Kenya and other countries in the region if they are able to stockpile and assure delivery of quality grains on schedule.

While there are security concerns with warehouses in rural locations, commodities stored with the ginners are generally considered by the industry as adequately secure. As indicated above (2.2.3) the CMAs usually cost about $2,000 per site per month, Hence, the estimated cost of CMAs per tonne per month for commodities stored in rural warehouses is about $400 (assuming 100% occupancy in a 5-tonne capacity facility), compared to between $0.67 and $1.33 when stored by ginners. This implies that it will be difficult to make an economic case for storage in rural warehouses even if the physical facilities are considered suitable and they are more accessible.

2.2.5 Government and private sector interest in WRS remains high

Private sector interest in the project remains high, partly because commodity trade continues to be hampered by difficulty in obtaining finance. Most private sector players believe that a system that allows transferable WRs to be issued, and for banks to reduce access requirements (Section 2.2.2), will lead to increased availability of finance and lower the cost of borrowing.

Reports from the project management indicated that difficult relations with Government and the commodity boards had in the past hampered project implementation. The situation had changed significantly at the time of the review. Government sees the development of a viable WRS as an important part of its strategy to improve marketing and export of agricultural commodities. The promotion of a multi-commodity WRS under the PMA reflects this perception. Though Government expects smallholder producers, who dominate agricultural production in the country, to benefit from any WRS, it is not insistent on their direct participation, especially during the initial stages.

2.3 Local project management: performance and capacity

2.3.1 Local management unit (LMU)

The LMU in Uganda is run from an office physically located in the MTTI. According to minutes of the NAC, the National Project Co-ordinator (NPC) is the overall head of the LMU. However, we found no terms of reference or job description for the position, which is filled on part-time basis by a Director (of Tourism) of the MTTI. The NPC "delegates" day-to-day running of the unit to a full-time local Project Officer (LPO), recruited by and accountable to UNOPS. This dual management system has not been effective because of deficiencies in the performance of the CTA (Section 1.4.1), and also because even though the NPC is an experienced public servant, she lacks the required technical knowledge. As such the LPO has not had effective guidance in terms of planning and implementation of project activities.

Below the post of LPO, the office is divided along commodity lines with two sub-division nominally headed by part-time Associate Project Coordinators (APCs), one each from the CDO and UCDA. The division is cumbersome and adds to administration costs, both in financial terms, and more importantly, in slowing down project activities. The APCs were expected to contribute 50% of their time to project activity, but it was evident that their input was considerably less (not more than 20%).

All project personnel have relevant academic and professional qualifications as well as experience in public service and/or in projects. The LPO was clearly enthusiastic and hardworking. By local standards, they are well-remunerated. However, none of them has more than a superficial understanding of receipt financing and what it takes to set up and run a credible WRS. There is no comprehensive job description for the staff, and no action plans with clearly defined (and time bound) targets for achieving outputs. In addition, the LPO has only moderate ability with respect to management systems, making it difficult to manage the part-time APCs, who are part managed by other bodies and have divided loyalty.

2.3.2 The collaborating organisations (CDO and UCDA)

Executive personnel of the collaborating commodity organisations (CDO and UCDA) showed a keen understanding of the financing needs of their respective sectors. The quality of their interventions, during meetings with the Review Team, suggests that their contribution to NAC meetings can be very positive. However, the same cannot be said of the contribution of the APCs to the performance of the LMU. The particular case which illustrates this point is the scheme the LMU intended to pilot to allow primary co-operative societies to use warehouse receipts. While the Heads of the two organisations could clearly identify and articulate reasons why the pilot had little chance of success, especially because of the uneconomic volumes to be deposited, the APCs, who had been actively involved in identifying primary societies and locations for the pilot could not do the same. If they had, the time and resources used by the LMU would have led to the development of a more viable pilot scheme.

The perception of the projects as separate and commodity-specific, appears to encourage the collaborating organisations to exercise such control, including over project finances, as to ensure retention of maximum resources within the specified sectors. This contributes to inefficient resource use.

2.4 Project outputs achieved and remaining tasks

2.4.1 Establishing a framework for privately run warehousing system

An inventory of storage facilities has been undertaken and the results are available to stakeholders. However, the chain of warehouses identified to be used in case studies or pilot for cotton (Activity 1.3) – rural warehouses with capacity of between 1 and 5 tonnes – proved inappropriate as inventory finance at those locations is not viable, considering the small volumes involved.

2.4.2 Supportive warehouse legislation

A draft warehouse bill was produced, with inputs from a Europe-based lawyer (Nick Budd) and local lawyers. The draft legislation is based on the US Warehouse Receipts Act of 1916 and related amendments. It was discussed by local stakeholders including bankers and parliamentarians. The Ministry of Finance is required to produce a "certificate of financial implications", setting out the cost/revenue implications of establishing the proposed warehouse regulatory agency before the bill is submitted to Parliament for consideration. Officials of the Ministry indicated their readiness to do this as soon as they receive relevant information from the Ministry of Tourism, Trade and Industry (MTTI).

The legislation appears to be the target of politicking among rival ministries looking at warehouse receipt innovation: the MTTI which is hosting the CFC initiative, and the Ministry of Agriculture, which is responsible for the Programme for the Modernisation of Agriculture (PMA), under which the EU is providing support for the development of a WRS for other commodities apart from cotton and coffee. The unit under the PMA responsible for its WRS programme is also located in the MTTI and is run by Mr Fred Mwesigye (of MTTI), who has been instrumental both in the drafting and consultations with stakeholders on the bill.

No reputable warehouse firms have been identified to develop collateral management and/or warehouse receipt system (as required under Activity 2.2). The LMU advertised in the local media, but they admitted that this did not attract the right warehousing companies.

2.4.3 Development of market information systems (MIS)

Local consultants provided advice on the information needs of the receipt system and for the trade, generally. The consultants endeavoured to integrate the MIS for coffee with ongoing activities under other (market) information systems in Uganda e.g. Foodnet and the telecentres being developed by NAADS. Based on the consultants' advice, hardware and software have been procured for the coffee sector. A similar system is being developed for cotton.

The view of the Review Team is that the information system proposed by the consultants is over-elaborate; procurement of hardware over-generous; and the range of data to be collected and processed appears excessive. Clearly missing is a focus on the key information needs of participants in the receipt finance system. Replacement cost for hardware procured is under-funded, raising questions about how the system will be sustained after completion of the projects. While information may be accessible to those with internet connections, it is not clear how the vast majority of smallholders will gain sufficient access.

2.4.4 Development and testing of quality assurance systems

Consultancies for quality assurance systems have been completed for coffee (in 2001), and cotton (in 2002). The objectives of the studies were: to review existing system; advise on effective systems for quality assurance and certification; provide required training; and suggest cost recovery mechanisms to ensure sustainability. Bureaucratic procedures delayed selection of consultants; and the Team was informed that lack of support from the CDO (the Cotton Development Organisation), hampered implementation of their recommendations. The coverage, findings and recommendations of the studies appeared to go beyond the scope and resources available to the project.

2.4.5 Development of trade financing system based on inventory collateralisation using a warehouse receipt system

No viable plan had been adopted for the development of a WR system at the time of the mid-term review. Superficial discussions had been held with banks and some primary societies about a pilot scheme involving storage in warehouses in rural locations (with capacity of about 5 tonnes). This occurred during a surge of activities from January 2003. However, we found no tangible details of the proposed receipt, the rights and obligations of operators of the system or technical information about the proposed operation of the system itself. Systems to assure the security interests, and therefore participation of, would-be financing banks had not been discussed to any significant depth.

It was obvious from discussions with banks and the collaborating institutions that they did not favour the option of warehouse receipt issuance at producer-level on two counts: first, it would not be attractive to lenders due to the small scale of lending and second, the high cost of administering such a system would make it unsustainable.

The Review Team examined the PTA bank proposal to CFC/UNOPS dated 09/12/02 on the loan component of the project. In our view, the proposal is inadequate as there is no operational warehouse receipt system in place as envisaged by the project. Our opinion is that disbursement of the loan must wait and should be linked to successful and sustainable issuance of warehouse receipts.

2.4.6 Training and dissemination

Sensitisation events have been undertaken, especially since January 2003. Targeted were farmer groups, financial institutions, and parliamentarians. These events evidently contributed to maintaining strong stakeholder interest in the WRS, but should have prefaced actual implementation. According to project managers in Kampala, there has been no training for project personnel beyond participation in conferences and workshops on warehouse receipts financing. The PEA has neither developed a training programme to educate different target groups with potential involvement in the WRS, nor produced any training materials or manuals relevant to the system.

2.5 Remaining project tasks

In the view of the Review Team, the following activities need to be undertaken to achieve the intended project objectives:

i. Legislation – providing information to the Ministry of Finance for preparation of the “certificate of financial implications”; lobbying Government and Parliament (involving key stakeholders) in getting the draft warehouse bill passed; preparing a dissemination plan for the warehouse legislation and other related activities and programmes.

ii. Market information systems – devising a sustainable means of ensuring access to information for smallholder groups.

iii. Quality assurance systems – carrying out an inventory of equipment procured to ensure effective utilisation for project purposes; building in-house capacity to grade and certify quality for coffee and cotton; developing and delivering training in warehouse management and commodity quality assurance targeting not only farmers, but also processors (ginners, curing factories etc) and warehousing companies.

iv. Warehouse receipt system – adopting an action plan to develop a system that that assures sustainable issuance of WRs accepted by banks and takes account of the following issues:

- determining, on the basis of clear economic/financial justification, the level in the marketing chain at which warehouse receipts might intervene;
- producing tangible details of the proposed receipt, including the rights and obligations of operators of the system and bona fide holders of the WRs;
- developing systems that assure the security interests of depositors, other holders and financing banks; and
- including, in the action plan, time-bound targets indicating how, when, and with what resources the plan is to be implemented, including how to attract participation by credible warehouse operators and collateral managers.

v. Producing training materials and manuals for potential users of WRs, covering such areas as commodity quality and quantity assurance, commodity trade and finance, warehouse insurance etc.

vi. Improving project administration, including producing job descriptions for all staff and terms of reference for the NAC and TAC, as well as adopting an internal audit system that allows project managers to monitor use of project equipment.

2.5.1 Completion and financing of remaining project activities

The remaining project tasks, mentioned above, cannot be completed by September 2003, when the project ends. An extension of the project is, therefore, necessary to achieve the project outputs. Favourable macroeconomic conditions, including a competitive financial sector keen on exploring profitable but low-risk lending opportunities and strong Government and private sector support are conducive to achieving project objectives. As indicated in Section 1.5.1, there is sufficient funding available from the unspent budgets for the two projects – only 45% of the budget has been utilised – to cover extension for two years, if the rate of expenditure remains broadly the same.

TANZANIA COMPONENT

3.1 Introduction

As is the case in Uganda, there has been progress carrying out activities under market information systems, quality assurance systems and drafting of supportive warehouse legislation. The LMU is also implementing a pilot warehouse receipt (WR) system for coffee[1], which it intends to extend to cotton. The report this component is structured as follows: an overview of country conditions is provided in Section 3.2 and the performance and capacity of the local project management in Section 3.3. In Section 3.4 we provide a summary of outputs achieved and set out the outstanding tasks and activities in Section 3.5.

3.2 Country conditions relevant to project outcome

Tanzania has recorded economic growth rates averaging 5% per annum over the past 5 years. Inflation is low, officially estimated at 3.9% in 2002. Public sector borrowing, and consequently earnings on Government debt instruments, has been declining. Treasury Bills rates were below 5% in 2002, putting banks and non-bank financial institutions to explore private lending opportunities.

The country has a competitive financial sector, comprising 20 banks and 9 non-bank financial institutions. Banks in Tanzania are familiar with inventory-based finance, and lend on similar basis as those in Uganda (section 2.2.2). ACE dominates the collateral management services market, though there is some competition from Baltonic. There are indications that SGS and Cotecna may also become more active.

Following liberalisation of Tanzania's internal coffee market in 1994/95, the TCB and Co-operative Unions have been playing an increasingly reduced role in the coffee trade, while private traders and the primary co-operative societies have become more active. The cotton market has similarly been liberalised. There appears to be preference among the banks for financing private traders, but interest in financing the primary co-operative societies as opposed to the Co-operative Unions has been growing in recent times. Finance continues to be a problem in the trade, making banks and other leading private sector players interested in the project. Opportunities exist for extending coverage of the WRS to other commodities, including grains.

The Ministry of Co-operatives and Marketing (MCM), which is hosting the project, sees the development of the WRS as important in promoting agricultural sector development. As was observed in Uganda, there is a parallel initiative to promote inventory-based finance for smallholders under an IFAD-funded project managed by a unit under the Office of the Prime Minister. No formal links exist between the two initiatives.

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[1] Under the pilot receipt system for coffee, primary co-operative societies are encouraged by the LMU to deposit parchment coffee with participating Coffee Curing Factories (CCFs). The co-operative societies are issued with warehouse receipts representing the produce deposited, against which some banks are willing to provide finance. The processed coffee is sold through the Moshi Coffee Auction and the proceeds paid into the accounts of the depositor, allowing financing banks to recover any loans granted. Collateral managers are not involved in the system. The CCFs charge only nominal storage fees, their main interest being revenues from coffee processing.

3.3 Local project management: performance and capacity

3.3.1 The local project management unit (LMU)

The LMU in Tanzanian is hosted by the Ministry of Co-operative and Marketing (MCM). Unlike the organisational structures in Uganda and Zimbabwe, the roles of the National Project Coordinator (NPC) and Local Project Officer (LPO) in Tanzania are performed by the same person. It is the view of the Review Team that this led to very clear lines of responsibility and reduced bureaucracy in project management. Other management layers are similar to those of other two countries, including a National Advisory Committee providing advice to NPC, and collaboration with the coffee and cotton boards. Below the NPC management, there are four key staff members: two Associate Project Coordinators (APC), one for each commodity sector; an accountant and a data clerk. Additional staff include a secretary, two drivers and a messenger. The APCs are full-time staff of the LMU, seconded by their respective commodity boards.

It was originally envisaged that the NAC would meet on a quarterly basis. In practice, NAC meetings have been held on an annual basis. This change in arrangements has been mainly due to the high cost involved: the sitting allowances for the 25-member NAC cost nearly US$2,000 per quarter. A number of the members are accommodated at project expense when attending meetings, and reimbursed the cost of transport. It also proved difficult to persuade high-level officials to attend NAC meetings regularly.

The LMU maintains good records of accounts and of equipment procured, in contrast to the situation in Uganda and Zimbabwe. Though they have experienced delays in receiving reimbursement from the PEA, project activities have not been significantly disrupted as a result of this.

The NPC is a well qualified and dynamic person. She holds a Master's degree from a UK university and has many years working experience in the public sector. However, her knowledge of warehouse receipt systems is very limited. The two APCs are both knowledgeable about the respective crop sectors, but their outlook and job performance differ significantly. While the APC for coffee is quite dynamic and willing to engage in every aspect of the project, the APC for cotton lacked confidence in responding to basic project issues. In both cases, however, the need for training to ensure understanding of the fundamentals of warehouse receipt systems was quite clear. Other staff within the project office have the required skills.

3.3.2 Ministry of Cooperatives and Marketing and the Crop Boards

The Coffee and Cotton Boards have made counterpart contributions in the form of office accommodation, and staff seconded to the LMU. The Ministry of Cooperatives and Marketing (MCM), in addition to seconding staff to fill the position of NPC, has proposed direct budgetary contribution by Government during the next fiscal year. The MCM and the commodity boards have made useful contributions to efforts by the LMU to disseminate information on the WRS to farmers in primary co-operative societies and to help link the co-operatives to financing banks.

3.4 Project outputs achieved and remaining tasks

3.4.1 Establishment of a framework for privately run warehousing system

An inventory of storage facilities has been undertaken and two categories of facilities identified: Class A - considered suitable for storing commodities against which WRs can be issued; and Class B - considered unsuitable. The LMU was guided in the classification by a set of criteria provided by the collateral management companies. However, the criteria have not been formally adopted as a basis for certifying or licensing warehouses to issue WRs. The Class A warehouses have storage capacity ranging between 1,000 to 40,000 tonnes, and are mainly located in the curing factories and ginneries, as well as in the port at Dar es Salaam. A survey of 10 Class A warehouses revealed that they:

- Maintain good record-keeping systems
- Have weighing facilities, such as weighbridge, platform and pneumatic scales
- Maintain good security systems and communications facilities
- Have competent, trained personnel and storekeepers
- Have moisture meters, which they use in carrying out quality analysis, grading and sorting. They also have dedicated sample rooms.

3.4.2 Supportive warehouse legislation

A draft warehouse bill has been produced and is awaiting cabinet approval before submission to Parliament. No specific plans have been made, setting out activities to facilitate operationalising and enforcing the Act (when passed by Parliament).

3.4.3 Development of market information system

Market information systems have been developed for both coffee and cotton sectors, with required hardware and software procured. Information dissemination is via websites developed for the commodity boards (both under construction). The LMU is developing a website, which will be used in disseminating information on commodity prices and developments in the domestic and international market, including domestic supply, as well as basic information on the receipt system.

Twelve part-time data entry clerks, who remain employees of the coffee and cotton boards, are responsible for entering primary data from the districts. They are paid supplementary allowances of US$200 per month each. The information is collated by the APCs and is useful, particularly to lenders in valuing the underlying collateral when financing warehouse receipts. There has been more progress in developing the system for coffee than for cotton. The Review Team feels that, the issue of how to sustain such a system, when the CFC project ends, has not been properly addressed.

3.4.4 Development and testing of quality assurance systems

Quality assurance systems for the cotton and coffee sectors have been reviewed, improvements proposed and testing equipment procured. The focus has, however, been on enabling farmers, especially small farmers in the primary co-operative societies, deliver quality produce to the processing units (coffee curing factories and cotton ginneries). Little attention has been paid to reviewing the capacity of the processing units to properly grade commodities receipted and to comply with best practice in storage management in holding commodities delivered. This oversight can undermine the WRS system, as it will be difficult to guarantee maintenance of the quality and quantity of stored produce.

3.4.5 Development of trade financing system based on inventory collateralisation using a warehouse receipt system

The LMU has identified a WR model for providing commodity finance to coffee producers and traders. About 5 years before the project was launched, banks like Kilimanjaro Co-operative Bank (KCB) and CRDB were using this system. It requires producers to deposit parchment coffee with the curing factories, which issue warehouse receipts against which banks provide finance. The coffee after curing, is sold through the Moshi Coffee Auction, the single channel through which all exported coffee is marketed. The Tanzania Coffee Board (TCB), which runs the auction, ensures that proceeds from sales are paid into the seller's bank account, enabling the bank to recover any credit advanced.

Another inventory-based financing system, which exists in Tanzania, involves the use of collateral managers (CM) like ACE and Baltonic (with SGS and Cotecna reportedly showing interest). This system, which is used by banks like Exim Bank Ltd. and the CRDB, is considered very expensive by borrowers and bankers. The procedures, requirements and conditions under which this form of inventory-based financing is provided are very similar to what occurs in Uganda (Section 2.2.2).

While CMs charge about $1,500 per site per month, the coffee curing factories acting as warehouse operators charge nominal or no fees for issuing WRs. Their prime motivation is to assure sufficient volumes of unprocessed coffee for curing. Access to both systems to small farmers was initially through the Co-operative Unions, but participation is increasingly involving primary co-operative societies, considered to be more representative of the smallholders and offering better producer prices because of lower overheads.

Evidently, the WR model adopted by the LMU, pre-dates the project. However, the project team appears to have contributed to disseminating information about the model to primary co-operative societies and encouraged the CRDB to expand lending to (new) primary co-operative societies by about 2.2 billion Tanzania Shillings (or US $2.2 million).

There is evidence that the proposed model was discussed by the NAC, but it failed to identify and/or address the following design issues:

- Criteria for selecting participating curing factories/ginneries have not been formalised.
- Though the stored commodity is insured and the curing factories sign contracts obliging them to deliver it, no financial or other forms of security exist to cover losses to lenders and depositors in the event of non-performance on their part.
- There is no independent system to monitor/oversee the activities of participating curing factories. Banks involved undertake weekly inspections using their staff. This limits outreach by the banks.

These design issues were never raised by the CTA, who as late as January 2003, was asking for clarification about how the system works,.

Discussions have been held with some banks concerning possible use of the loan component to be administered by the PTA Bank. Apart from the KCB, which expressed interest in using the facility, the others were uncertain about its benefits, considering that banks in Tanzania are awash with excess liquidity.

3.4.6 Training and dissemination

According to the LMU, no training activities have been undertaken beyond sensitisation of stakeholders and participation of LMU personnel in international conferences and workshops on WR financing. The sensitisation events targeted farmer groups, financial institutions and parliamentarians. It is apparent that, as a result of these events, support for the WRS within Government, the legislature and banks, is growing.

Participation in international workshops and seminars has been woefully inadequate in building local capacity to deliver project outputs. LMU personnel who participated in such events stated that most of the presentations were “above their heads”. No training materials or relevant manuals have been developed for the LMU by the PEA.

3.5 Remaining project tasks

In the view of the Review Team, the following activities need to be undertaken to achieve the intended project objectives:

i. Legislation – Further consultations with stakeholders and refinement of the draft legislation is needed. This should be pursued urgently, in order not to further delay approval by cabinet. The LMU and the Ministry (MCM) need to actively lobby Government and parliamentarians to ensure that the legislation is enacted without delay. In addition, the LMU needs to encourage Government to set out a clear plan/programme to operationalise and help enforce the law when passed.

ii. Market information systems and quality assurance systems – there is need to explore opportunities to assure sustainability of the interventions made. Noting that the crop boards have responsibility for collecting and disseminating information, they should be encouraged to finance, in full, the role of the data entry clerks. The information provided should be further condensed, and include price trends, so as to make them more user-friendly, particularly to depositors and lenders using the WR system. The use of the website to help raise the profile of the project should be pursued more actively by providing information on the model adopted, criteria for selecting participating warehouses and operators, and the warehouse law (when passed).

iii. Warehouse receipt system – clearly describe the model adopted, and based on lessons from the pilot, prepare a credible strategic plan, with time-bound targets indicating how, when, and with what resources the model is to be to implemented country-wide. The plan should address issues similar to those identified in the case of Uganda (Section 2.5).

iv. Developing training programmes and promotional/educational materials and manuals on the WRS for users. These materials should be developed taking account of the specific country context in Tanzania.

3.5.1 Completion of remaining project activities

As in the case of Uganda, the remaining project tasks cannot be completed by September 2003. The Team therefore recommends extension of the projects for two years. However, the funding situation in Tanzania differs from that of Uganda. In the Tanzania component, over 65% of the budget has been spent. Additional funding may be required if the extension is for two years. It is proposed that any funding shortfall is covered by viring funds from the substantially under-spent budget for the PEA.

4. ZIMBABWE COMPONENT

4.1 Introduction

From discussions with stakeholders, including a meeting with the National Advisory Committee (NAC) on 1st July 2003, it is quite apparent that, despite implementation delays, especially in establishing the warehouse receipt system (WRS) for coffee, support behind the project remains strong in both the private and public sectors. Lack of progress can clearly be attributed to the emphasis placed on getting supportive legislation. Stakeholders decided to adopt and modify a receipts system that was successfully introduced for grains in the country by the Zimbabwe Agricultural Commodity Exchange (ZIMACE). They were, however, discouraged from piloting the system for coffee because of the argument that legislation should precede establishment of the WRS.

4.2 Country conditions relevant to project outcome

The Zimbabwean economy is in crisis, with poor growth performance in the economy as a whole and the agricultural sector in particular. Inflation is over 300% per annum, implying that even the very high interest rates of about 87% for 6-month loans (compared to nominal interest rates of around 42% in 1996/97), is negative in real terms. Exchange controls represent another difficulty for the business community, and in particular affects incomes from coffee, as most of the crop (over 95%) is exported. Despite these conditions, the country has a well-developed financial sector, and a number of banks, including the Trust Bank (which is ranked third in terms of the size of its assets), have been involved in inventory-based financing. ITS-Socotec is the dominant player as far as provision of collateral management services in the country is concerned. The company is keen to participate in the WR system being considered by the LMU, having been active in the operation of the ZIMACE system for grains.

Some of the banks, particularly the Trust Bank and Kingdom Bank are keen to access the loan component. It was apparent, though, that these banks needed the credit line primarily to ease the acute foreign exchange constraints facing the banking sector, and the economy generally, but not so much because of insufficient loanable funds.

4.3 Local project management: performance and capacity

4.3.1 The local project management unit (LMU)

The nominal head of the LMU is the National Project Coordinator (NPC), who is a Deputy Secretary at the Ministry of Lands, Agriculture and Rural Resettlement (MLARR). The involvement of the NPC is rather marginal, because of his heavy official schedule. He participates in NAC meetings, facilitates meetings to discuss project-related issues with Government, participates in forums to disseminate information on the project, and is a signatory to project accounts as well as some official letters from the LMU (e.g. letters of invitation to seminars organised by the LMU).

The Local Project Officer (LPO) handles day-to-day project activities, virtually single-handed, with a rather weak secretariat, staffed with a non-performing accountant, a receptionist, a driver and a messenger. The LPO is well qualified and dynamic; holds two Masters degrees – one in Agricultural Economics from a UK university and the other in Business Administration from the University of Zimbabwe. His career in Government, in the Department of Extension Services of the MLARR, prior to assuming responsibility for the project, has helped him build an extensive network in both public and private sectors. However, his understanding of the WRS is basic, gained primarily through his two-year involvement in the project. He has had no relevant training, except participation in international conferences and workshops on the subject.

The internal financial arrangements and control systems at the LMU are ineffective due primarily to the inefficiency of the accountant. There are no records of where pieces of project equipment (such as computers and weighing scales) are deployed and no monitoring of the use of such equipment. Considering that significant project funds have been used for this purpose, this situation is highly unsatisfactory. The Review has been informed that, following its visit, the MCM has instituted an audit of the LMU with the intent of strengthening internal control and management of project resources.

Multiple exchange rates and the rapidly depreciating domestic currency create considerable difficulties in managing project finances. In particular, the overvalued currency makes local expenses appear very high, when translated into US dollars, in which the LMU is financed by the PEA.

4.3.2 The National Advisory Committee

The National Advisory Committee (NAC) has membership of about 25, dominated by representatives of public sector agencies, including various departments within the Ministry of Lands, Agriculture and Rural Resettlement, a state-owned bank, the Grain Marketing Board and a lawyer from the Attorney General's Office. There are also representatives of two private banks and the leading collateral management firm in the country (ITS-Socotec) on the NAC. Meetings of the NAC appear quite frequent, almost once every quarter and the members receive US$50 as sitting allowance, in addition to having their related expenses (transport and accommodation) covered. This makes NAC meetings quite expensive.

4.4 Project outputs achieved and remaining tasks

4.4.1 Development of market information and quality assurance systems

A market information system has been developed for the coffee sector, with required hardware and software procured. It appeared the project had been over-generous in procuring hardware, as the Review Team has difficulty understanding the justification for providing equipment like laptops to some organisations and individuals (e.g. ZCM and Ian Goggin).

Consultants were contracted to develop a quality assurance system for coffee, with the focus being on helping small farmers deliver quality produce to the two identified warehouses (GMB and ZCM). Failure to include work on enhancing the capacity of warehouse operators to receipt, store and maintain the quality of good coffee, will not significantly hamper project outcome as there was evidence that both GMB and ZCM had systems, equipment and trained staff for assuring receipting of quality produce. There is no mechanism in place to ensure recovery of the replacement cost of equipment distributed to smallholder groups.

4.4.2 Development of trade financing system based on inventory collateralisation using a warehouse receipt system

Interest in piloting a modified version of the ZIMACE receipts model was renewed in January 2003, with the CTA putting the LMU under pressure to pilot it with some haste. It was apparent to the Review Team that prior to the attempts to pilot the model, neither the CTA nor the LMU had examined issues as fundamental as the definition of the roles and obligations of collateral managers and warehouse operators; as well as devised a sustainable mechanism by which smallholders could take advantage of the system.

4.4.3 Training and dissemination

According to the LMU, no training activities have been undertaken beyond sensitisation of stakeholders and participation of LMU personnel in international conferences and workshops on WR financing. The sensitisation events targeted farmer groups, financial institutions and parliamentarians.

4.5 Remaining project tasks, completion and financing

Activities that remain to be undertaken in Zimbabwe are very similar to those in Uganda and Tanzania. Despite the extremely difficult economic environment and the generally high risk of adverse policy interventions, there is a good chance of success in achieving project objectives if there is extension. Support within the private sector and Government appear strong, with banks especially keen to use the system to facilitate lending. Coffee is largely an export crop with little or no direct food security implications, thus reducing the risk that Government will intervene in the market. For these reasons, the Team recommends extension of the project in Zimbabwe.

Over 85% of the Zimbabwe component budget has been spent. Extension of the project will require viring unspent PEA funds.

5. FINDINGS AND RECOMMENDATIONS

5.1 Summary of findings

The main findings and recommendations of the Review team are that:

i. The two projects – Coffee Market Development and Trade Promotion in Eastern and Southern Africa (CFC/ICO/03FA) and Improvement of Cotton Marketing and Trade Systems in Eastern and Southern Africa (CFC/ICA/12FA) – were conceived, generally perceived, and implemented as separate projects though they differ in only commodity focus and not in much else. They share similar objectives, design features (including project outputs), and implementation strategy, as well as institutional arrangements and systems for managing them.

ii. The outcome of the projects is also similar in the three participating countries. There has been progress in outputs like interventions to improve market information and quality assurance systems, but there are concerns about the sustainability of these interventions. The systems proposed by the local consultants, appear to be too elaborate, investment in equipment over-generous (and in the case of Uganda and Zimbabwe not effectively monitored by the local project personnel), and mechanisms to fund replacement cost of equipment are either absent or inadequate.

iii. Progress has also been made in drafting supportive warehouse legislation in all three countries. The draft legislation is based on the US model, and involved inputs from a Europe-based lawyer (Nick Budd) and local lawyers. The draft bill in Uganda has been approved by cabinet and will be considered by Parliament when the Ministry of Finance produces a "certificate of financial implications", outlining the cost/revenue implications of setting up the proposed regulatory agency. The Ministry of Tourism, Trade and Industry (MTTI) is to provide the information needed, which has to be supplied by the local project office (LPO). In both Tanzania and Zimbabwe, the draft bill is yet to be approved by cabinet and may require further consultations with stakeholders.

iv. Progress in achieving the primary objective, piloting viable warehouse receipt systems (WRS) for the two commodity sectors, has been disappointing. Tanzania is piloting a scheme to extend access to a WR system that existed prior to the launch of the project to smallholder coffee producers and Zimbabwe has considered adopting and modifying a model that was successfully introduced for grains by ZIMACE. These schemes have a fair chance of success, but have not been subjected to effective scrutiny to identify and address fundamental issues, particularly those relating to assuring the security of the interests of holders of the warehouse receipts and lenders. In Uganda, representatives of banks and the CDO were sceptical about the viability of a plan, proposed by the LMU, to pilot WRS in the country. The Review Team shares this view, primarily, because economic volumes of deposits could not be assured at the small rural warehouses targeted by the LMU.

v. Lack of progress in achieving the core objective made it difficult to assess the benefits to the development of inventory-based finance from the interventions in improving market information and quality assurance systems as well as in initiating the promulgation of supportive legislation. It is, however, the conviction of the Review Team that there are good prospects of achieving project objectives in all 3 countries. This is because economic and financial sector conditions as well as developments in the domestic commodity markets in Uganda and Tanzania favour the development of WRS. Furthermore, support from both the private sector and Government is strong in all three countries.

vi. The Team is of the view that, project implementation was more severely constrained by design issues and project management rather than by unfavourable country conditions. This is the case even in Zimbabwe, which is facing very difficult economic crisis. The Team is, however, convinced that these problems can be remedied, to improve chances of success in setting up the WRS, if recommendations made in this report are implemented.

5.2 Recommendations

Considering that the remaining project activities (see relevant sections of the country reports) cannot be completed by the end of September 2003, and in view of the factors described above (particularly points v. and vi. of Section 5.1), the Review Team recommends a *no cost extension of the projects for two years* subject to changes in design and management, as outlined below. A review of the project budget and spending (Section 1.5.1) indicates that sufficient funds are available to finance project activities over the two years proposed.

5.2.1 Project design issues

Perception of projects as separate
The Team noted that the perception and management of the WRS projects for cotton and coffee as separate, led to management problems that delayed implementation as well as inefficient use of resources. It also noted that by restricting commodity coverage to only cotton and coffee, the potential to include other storable commodities with good prospects for receipt financing (like grains) was unnecessarily limited. The introduction of parallel receipt systems for other commodities under other projects in Uganda and Tanzania, is in apparent response to this design flaw.

The Review Team is of the view that there exists a strong case for shifting focus away from developing separate, commodity-specific WR systems to creating a multi-commodity WRS that can accommodate other storable commodities as will be identified by stakeholders. This proposal has been endorsed by local stakeholders and the PEA. Further to this, and taking cognisance of the other WRS initiatives in Uganda and Tanzania, the Team suggests that implementation of the CFC-funded and other WRS projects should be properly co-ordinated to take advantage of synergies between them and to avoid unnecessary overlaps and inefficient use of financial and human resources. The Team suggests sharing of information between the projects to make it possible to:

- identify common/complementary activities, e.g. establishment of a regulatory agency, and how best to apply available resources in carrying them out; and
- identify other specific activities to be undertaken separately but, which can be co-ordinated by a single steering or /advisory committee (e.g. through expanding membership of NAC to include representation from other key commodity sectors.

It was apparent that project managers (UNOPS and local) did not appreciate that the key output was to develop the WRS, and that the other outputs were essential building blocks for the system. This proved costly as it diverted attention away from activities which should have been prioritised. The review process appears to have contributed partly to correcting this situation.

Target beneficiaries
The economic case cannot be made for targeting smallholders, depositing in warehouses in rural locations, as the primary direct beneficiaries of the WRS because of the low volumes of produce stored and/or traded at that level. The Team recommends that the target warehouse locations should be those that attract deposits from traders, processors (including ginners) as well-organised farmer groups. The Team, therefore, endorses the choice of warehouses by the LMUs in Tanzania and Zimbabwe. It is in agreement with the collaborating organisations in Uganda (especially the CDO) that the proposed use of small-volume rural warehouses to pilot the WRS in that country is inappropriate.

The Team further recommends that the LMUs adopt hard-nosed strategies to enable capable farmer groups to take advantage of the WRS, without undermining sustainability of the system. From discussions with government officials, it emerged that a strategy that does not exclusively target smallholders but creates sustainable avenues for their involvement as groups, is unlikely to encounter significant political opposition. The model under consideration in Tanzania demonstrates that this approach is feasible.

Action plans for developing WRS
While Uganda is yet to produce a viable plan for the establishment of the WRS, the models being considered by the LMUs in Tanzania and Zimbabwe have good prospects of success, which however, need refining. The Review Team Review Team, therefore, recommends that as a matter of priority, the LMUs in all three countries, should develop credible Action Plans, with time-bound targets indicating how, when, and with what resources viable WRS will be established. The Action Plans should include the following:

- Clearly defined criteria for selecting participating warehouse operators, including financial, insurance and other requirements, intended to reduce the exposure of depositors and lenders to loss of value through theft, fire and allied risks and non-performance by warehouse operators (this is more of a problem in Tanzania than in Zimbabwe where the ZIMACE system provides formal criteria that may be adopted).
- Clearly defined roles and responsibilities of warehouse operators and collateral managers (CMs) and a strategy to encourage participation by CMs in the development of the WR systems.

- An independent system to monitor/oversee the activities of participating warehouse operators, reducing the need for banks to regularly undertake this activity, which limits their capacity to reach more small producer groups.
- A strategy that allows smallholder participation in the system without undermining its sustainability. This will require, among others, that the WRS piloted allows deposits by different parties in the participating warehouses; and farmer groups are organised to enable them assemble economic volumes that can be receipted.

5.2.2 Project implementation and management

A roots-and-branch overhaul of the project management structure is deemed necessary if project objectives are to be achieved. In particular, the inability of the PEA to provide effective technical guidance and to build local implementation capacity, needs to be rectified. The Review Team strongly recommends that the capacity of the LMUs should be strengthened and the management systems restructured to enable them the functions outlined below.

Based on the foregoing, the Team recommends the following roles and responsibilities in project implementation:

The Local Management Unit (LMU)
Its functions should include:

i. Preparing and implementing a project Action Plan as well as annual workplans and budgets.
ii. Day-to-day management of project activities.
iii. Producing regular progress reports including monthly, quarterly and annual reports, as well as other reports as may be required by the PEA, local management committees (including the National Advisory Committee), the supervisory bodies and CFC.
iv. Organising meetings of local committees.
v. Initiating and holding discussions with various policymakers, donors and private sector players to ensure the creation and/or maintenance of a supportive legal and policy framework for the project.
vi. Undertaking any related activities as may be suggested by the PEA, local stakeholders and CFC.

The LMU should have a full-time staff team, comprising an experienced head with trade finance and collateral management experience, supported by other personnel with adequate qualifications and experience. The staff should be recruited on the basis of competence and not representation of commodity sectors. Sector representation should rather be pursued through the platform provided by NAC. For this reason, it is recommended that the role of APCs, representing commodity organisations, should be abolished. Competent technical assistants to the Local Project officers (LPO) should be recruited to perform their functions – they could be recruited from among the current pool of APCs. However, the key consideration should be competence.

It is recognised that the involvement of APCs, representing the commodity bodies, provides an opportunity to maintain links with such organisations. Considering their familiarity with conditions in the commodity sectors, their input can be critical in the formulation and evaluation of plans by the LMU. However, the function of executing the plans should be carried out by dedicated staff of the LMU. It is in the light of this consideration that the Team recommends that the APCs are retained in the LMU only if they are considered the most technically competent candidates. They can, however, contribute through their involvement in Technical Committees of NAC (whether ad hoc or permanent).

The case of Tanzania confirms the conviction of the Review Team that the LPOs, as heads of the LMUs, should exercise executive functions while the National Project Co-ordinators (NPC) function in an advisory and/or supervisory role through, for instance, chairing the National Advisory Committees. The NPC should have no involvement in the day-to-day management of the project, as is already the case in Tanzania and Zimbabwe.

In the specific case of Uganda, it is recommended that a more experienced person is recruited to head the LMU, and that the current LPO is retained as an assistant. The LPO in Tanzania is competent and may be retained. The Team will also support the retention of the current APC representing the coffee sector, if considered suitable in the course of the recruitment process. A competent technical assistant needs to be recruited to assist the LPO in Zimbabwe. The Accountant in the Zimbabwe project office needs to be replaced and an office manager should be recruited to take over from the receptionist and perform other secretarial and office management functions.

Local oversight arrangements

It is recommended that local oversight of the LMU is effected through the NAC and Technical Advisory Committees. NAC membership needs to be streamlined, allowing representation from other commodity sectors, particularly those like grains that are likely to benefit from the WRS. Representation on NAC should also be significantly skewed in favour of the private sector. It is proposed that NAC meets half-yearly to:

i. Review and advise on Action/work Plans and budgets proposed by the LMU; and

ii. Review progress and advise on changes in design, strategy and management, as necessary.

The Technical Advisory Committees may be set up by NAC, which will meet more frequently and should, among others:

i. Review Action/work Plans and budgets prepared by the LMU, advising on any relevant changes that ensure consistency with local project commitments (made under the project MOU);

ii. Advise on the selection of local technical consultants , and local procurement of equipment and other services by the LMU; and

iii. Review progress reports.

Membership of the Technical Advisory Committee should include the NPC, representatives of the collaborating organisations and another major commodity sector (possibly grains), a senior banker with decision-making authority and technical experts as may be needed to consider specific issues.

The Technical Advisory Committees should preferably be chaired by the National Project Co-ordinator (NPC), whose responsibilities should include facilitating meetings between the LMU and Government, donors and key private sector players.

Role of the PEA

The PEA is expected to carry out the following functions:

- Provide technical guidance to local project managers and other stakeholders in the formulation of plans and strategies to achieve project outputs;
- Monitor and evaluate implementation activities, advising on changes where necessary;
- Build/strengthen the capacity of local project personnel and key stakeholders; and
- Provide administrative support, including ensuring compliance with project reporting requirements.

The current PEA was unable to provide technical support needed by the LMU and its administrative system proved defective, especially in the areas of ensuring that the LMU received project funds on time and produced workplans and budgets as required. In the light of this, the Review Team is unable to, unreservedly, recommend extension of its involvement.

If they are to be retained, they should be made to demonstrate their capacity to carry out the functions outlined above, and in particular show they are able to provide the required training and capacity building for local personnel.

To assure its ability to provide technical support to the LMUs, it is recommended that the PEA should sub-contract a capable organisation, with a track record in implementing warehouse receipts projects in developing countries. Considering that there are very few of such firms and the limited time for recruitment, an open, international tendering process may not be appropriate and the PEA may submit a shortlist of suitable candidate firms to CFC for consideration.

The PEA should also restructure its accounting system to avoid delays in reimbursing the LMU. The Team is informed that the accounting system of UNOPS has been decentralised and this should contribute to improving their management of project finances.

Should the decision be made to recruit a new PEA, the Team recommends that it should be an organisation with appropriate technical expertise and experience in running warehouse receipts projects, and demonstrate it is able to perform the functions outlined above creditably. It must also demonstrate an understanding of the country context.

5.2.3 Project supervision

To improve the quality of project supervision the Team recommends that CFC:

- Insists on timely submission by LMUs of Action Plans, annual workplans and budgets, as well as progress reports;
- Provides timely feedback on plans, budgets and reports; and
- Agrees a clear basis for the involvement of the ICO and ICAC in project supervision as envisaged under the project, providing funds for such missions from the available project resources.

5.2.4 Training and capacity building

The review team recommends a two-fold approach to training. One component should focus on structured training for project personnel and the other for key participants in the WRS, including personnel in warehousing companies, banks, law firms, insurance firms, inspection companies and participating government institutions. The training should be based on clearly defined syllabuses, and should be supported with the development of relevant training materials and operating manuals, covering such areas as commodity quality and quantity assurance, commodity trade and finance, and warehouse insurance.

The Review Team further recommends that training for project staff should ensure that they understand the following:

- The difference between non-negotiable and negotiable warehouse receipt systems;
- The role of the regulatory agency and how it should engender confidence in a negotiable warehouse receipt system;
- The role of market information and quality assurance systems in facilitating warehouse receipt finance;
- Lending procedures and requirements in banks (including appreciating systems intended to minimise exposure of banks and those which a credible WRS may reduce the need for).

5.2.5 Immediate tasks

The most immediate tasks that need to be carried out following a decision to extend the project include the following:

i. The PEA, if it is retained, takes immediate steps to strengthen its capacity to provide technical guidance to the LMUs, by sub-contracting the provision of that service to a credible organisation with a track record in implementing warehouse receipts projects. As recommended, the PEA should submit a short list of suitable candidate firms to the CFC for approval.

ii. The PEA should restructure its finance and administration systems to enable it improve support given to the LMUs in this area.

iii. The PEA and the firm sub-contracted, should assist individual LMUs to develop Action Plans with time-bound targets and budgets indicating how, when and resources required to pilot viable WRS as well as carry out other project activities considered essential to the development of the WRS. The plans should take into account recommendations made in this report regarding project design issues.

iv. Plans produced by the LMUs should be consolidated by the PEA with its own workplan for the extended project. Based on the consolidated plan, the PEA should make recommendations regarding financing of the various country components, including suggestions on viring of funds necessary to ensure that project outputs can be achieved.

v. The PEA should agree with the NACs, plans to restructure local management structures to ensure effective and efficient delivery of project outcomes.

APPENDIX 1:

TERMS OF REFERENCE FOR MID-TERM REVIEW OF WAREHOUSE RECEIPTS PROJECTS IN EAST AND SOUTHERN AFRICA FINANCED BY COMMON FUND FOR COMMODITIES (CFC)

The projects are:

- Improvement of cotton marketing systems in Eastern and Southern Africa – Uganda and Tanzania; and
- Coffee market development and trade promotion in Eastern and Southern Africa – Uganda, Tanzania and Zimbabwe

The **specific terms of reference** were, to:

1. Examine the facts relevant to the attainment of the project objectives, including but not limited to the following:
   - Evaluate the efficiency and effectiveness of the measures taken for the identification of relevant parties (collateral managers, warehouse operators, financial institutions, producer organisations, traders, exporters, testing and certification agencies etc.) and sensitisation of the same to secure involvement in the project.

   - Elaborate coverage and scope of any inventory credit services, if currently available in the countries concerned.

   - Assess the factors influencing the establishment of a warehouse receipt system, including legal framework, and analyse their impact on each major component.

   - Evaluate the effectiveness of the quality assurance, storage inspection and certification systems and assess their impact on providing security to the financial institutions.

   - Assess the appropriateness of the financing schemes and structures designed in the context of the projects.

   - Assess the cost effectiveness of the schemes in relation to other forms of lending and credit facilitation available to stakeholders.

   - Assess the training requirements and capacity of the institutions to impart the same and the appropriateness of training materials developed for these projects.

   - Assess, along with its benefits for the intended users, the suitability of the market information systems designed under the projects.

2. Analyse the measures leading to the success or failure of the warehouse receipts in the context of the identified facts and assessments given the specific national environment. Effort shall be made to draw lessons fro this analysis for the remainder of the project duration and which could be relevant to similar operations in other countries and commodity sectors.

3. Analyse the project management and implementation arrangements, including assessment of the effectiveness of the Project Executing Agency, Chief Technical Advisor, management Units, National Advisory Committees, Collaborating institutions and the Supervisory bodies, as well as their interactions.

Expected outputs:

i. The consultant shall prepare a detailed report reflecting the consultant's findings, including both the facts and the analysis thereof, to enable the CFC, PEA, International Commodity Bodies and the key stakeholders in the countries to learn from each others experience and to make the necessary adjustments, if required, during the balance period of the project. The report should fully reflect, but not necessarily be limited to, the issues mentioned in the specific terms of reference.

ii. The findings shall be presented by the consultant in writing to CFC and at a cross-evaluation workshop to be organised by CFC and attended by the consultant, CFC, PEA, National co-ordinators, Supervisory bodies, and other stakeholders. The consultant shall summarise the discussions in the workshop held insofar as related to his/her report.

iii. Sources of data and other information shall be given. Where assumptions have been applied, these must be made explicit.

iv. In an annex to the report, a complete list shall be given of all meetings held and contacts made by the consultant, indicating dates, venue (if applicable), persons involved and subject of meeting or contact.

APPENDIX 2:

LIST OF PERSONS MET/CONSULTED BY REVIEW TEAM

United Nations Office for Project Services (UNOPS) – the PEA

1. Abidrazak A. Awale	-	Co-ordinator
2. Roland Meier	-	Chief Technical Advisor
3. Winnie Kamau-Naina	-	Technical Assistant
4. Paul Obonyo	-	Accountant

Uganda

1. Blandina J. Nshakira	-	National Project Coordinator
2. Hannington K. T. Sebaduka	-	Project Officer
3. Apollo T. Kamugisha	-	Associate Project Coordinator
4. Hans W. Muzoora	-	Associate Project Coordinator
5. Dr. Sam G. Nahamya	-	Permanent Secretary, Min. of Tourism, Trade and Industry.
6. Fred E. G. Mwesigye	-	Commissioner for Co-operatives Min. of Tourism, Trade and Industry.
7. Kenneth Mugambe	-	Assistant Commissioner Min. of Finance, Planning and Economic Development.
8. Dr. Willie O. Odwongo	-	Director, Plan for Modernisation of Agriculture (PAM) Secretariat.
9. Dr. P. Ngategize	-	Director Min. of Agriculture.
10. Mrs. Jolly K. Sabune	-	Managing Director, Cotton Development Organisation (CDO).
11. Patrick Oryang	-	Secretary/Manager, Lango Co-operative Union Ltd.
12. Adam A. Bwambale	-	Secretary/Manager, Nyankatonzi Co-operative Union Ltd.
13. Henry Ngabirano	-	Managing Director, Uganda Coffee Development Authority (UCDA).
14. John Magnay	-	Chairman, Uganda Grain Traders Association (UGTA).
15. Chris R. Kaijuka	-	Afro-Kai Ltd., Member UGTA
16. Gordon W. Jones	-	Commodity Trading Int. Member, UGTA.
17. Patrick Oryang	-	Secretary/Manager, Lango Co-operative Union Ltd.

18. Chris Baine	-	Manager Commodity and Structure trade Finance, Stanbic Bank.
19. Milly Nkaja	-	Head, Credit/Sales Support Standard Chartered Bank.
20. Christopher Kigenyi	-	Relationship Manager, Corporate Banking, Standard Chartered Bank.
21. Sunil Sahdev	-	Deputy Managing Director, Orient Bank.
22. Jack Thompson	-	SME Finance Advisor, SPEED.
23. Paulo N. Luswata	-	SME Finance specialist, SPEED.
24. Dr. F. Bitanihirwe	-	Agricultural Services Manager, SGS.
25. Amos T. Tumwesigye	-	Acting Country Manager, Audit Control & Expertise (ACE).

Tanzania

1. Elizabethy Kimambo	-	Project Officer/National Project Coordinator (NPC) seconded from Ministry Co-operatives and Marketing.
2. Sabuni M. Mbaga	-	Associate Project Coordinator Cotton Sector (from Ministry of Agriculture and Food Security).
3. Fidelis Temu	-	Associate Project Coordinator Coffee Sector (from Tanzania Coffee Board).
4. Salvatory Rweyemamu	-	Project Accountant (from Ministry Co-operatives and Marketing).
5. Magreth Tendwa	-	Supplies Officer/Data Clerk (from Ministry Co-operatives and Marketing).
6. Zebadiah S. Moshie	-	General Manager, The Tangayika Coffee curing Company Ltd., Moshi.
7. Joe C. Kabissa	-	Director General, Tanzania Cotton Lint and Seed Board.
8. Maroc C. Mtunga	-	Regulatory Officer, Tanzania Cotton Lint and Seed Board.
9. Thomas W. Fille	-	Regulatory Manager, Tanzania Cotton Lint and Seed Board.
10. Dr. L. C. Komba	-	Permanent Secretary, Ministry of Co-operatives and Marketing.

11. Nathaniel Katinila	-	Programme Co-ordinator, Agricultural Marketing Systems Development Programme.
12. Primus Kimaryo	-	Manager, Moshi Coffee Exchange, Tanzania Coffee Board.
13. Anderson Y. L. Mlabwa	-	Director of Credit, CRDB Bank Ltd.
14. Mrs. S. M. J. Mwambenja	-	Managing Director, Exim Bank (Tanzania) Ltd.
15. R. R. Chandramouli	-	General Manager, Exim Bank (Tanzania) Ltd.

Zimbabwe

2. D. Tawonezvi	-	Project Manager, CFC Project.
3. David Mfote	-	Permanent Secretary, Ministry of Lands, Agriculture and Rural Resettlement.
4. Eddie S. Katanda	-	Divisional Director, Kingdom Bank Ltd.
5. Reggie Dangarembwa	-	Assistant General Manager, Kingdom Bank Ltd.
6. Obert Murambiwa	-	Relationship Manager, Kingdom Bank Ltd.
7. Bleming Nekati	-	Head, Export Agriculture Trust Bank Corporation Ltd.
8. Day Muyambo	-	Executive Director, Agribank of Zimbabwe Ltd.
9. Zivai Hove	-	Director General, Tanzania Agribank of Zimbabwe Ltd.
10. K. Ontu	-	Manager, Agribank of Zimbabwe Ltd.
11. Pedzisai Matamba	-	General Manager, ITS Socotec.
12. B. F. Makombe	-	Depot Manager, Grain Marketing Board.
13. Ian Goggin	-	ZIMACE/Consultant.
14. John Mautsa	-	Member, ICFU.
15. T. G. Munjoma	-	Executive, Zimbabwe Farmers Union.
16. S. Tsikisayi	-	Member, Zimbabwe Farmers Union.
17. D. Muganyura	-	Member, Zimbabwe Farmers Union.
18. L. Mandiringana	-	Executive, Honde Valley Coffee Growers Association.
19. L. Nyamangodo	-	Member, Honde Valley

		Coffee Growers Association.
20. G. M. Mabamombe	-	Coffee Research Station.
21. J. Mathende	-	Coffee Research Station.
22. A. K. Munowenyu	-	Lawyer, Attorney General's Office.
23. G. Mkakwami	-	Director, Ministry of Industry and International Trade.
24. E. Shambare	-	Agricultural Extension Division.
25. Ruth Mutetwa	-	Agricultural Extension Division.
26. K. Charehwa	-	Agricultural Extension Division.
27. Leticia Tapfumaneyi	-	Agricultural Engineering and Technical Services.
28. Emily Mafa	-	Ministry of Lands, Agriculture and Rural Resettlement.

International Coffee Organisation

16. Lilian Eunice Volcan	-	Economist, International Coffee Organisation.
17. Denis O. Seudieu	-	Chief Economist, International Coffee Organisation.

APPENDIX 3:
MEETINGS HELD DURING REVIEW VISITS

COUNTRY: KENYA

DATE	PERSONS/GROUP MET	SUBJECT	VENUE
16/06/03	UNOPS officials: Abdirazak Awale Roland Meier Paul Obonyo Winnie Kamau-Maina Review Team: G. Onumah, D. Day Robinson and Alan Marter	• Briefing by Review Team on mission • Briefing by PEA on progress with project implementation and challenges	UNOPS Office, Nairobi.

COUNTRY: UGANDA

DATE	PERSONS/GROUP MET	SUBJECT/ISSUES	VENUE
16/06/03	Ms. Blandina Nsharika Hannington Sebaduka Review Team: G. Onumah, D. Day Robinson and Alan Marter	Discussed review mission and agreed visit programme.	Imperial Hotel, Kampala.
17/06/03	Dr. Sam G. Nahamya, Permanent Secretary (MTTI) Hannington Sebaduka Review Team: G. Onumah, D. Day Robinson and Alan Marter	Briefed Team about: Govt view of project – seen as providing enormous benefits to small farmers in marketing their produce; Progress with supportive legislation – certificate of financial implications needed before bill is submitted Parliament; Performance of LMU – seen as independent but in close collaboration with Ministry. Govt supports extension of project.	Min. of Tourism, Trade and Industry (MTTI), Kampala.
17/06/03	Collaborating bodies: Cotton Development Organisation (CDO) led by Mrs. Jolly K. Sabune (Managing Director) Uganda Coffee Development Authority (UCDA) led by Henry Ngabirano (Managing Director). In attendance: Ms. Blandina Nsharika Hannington Sebaduka Review Team: G. Onumah, D. Day Robinson and Alan Marter	Reviewed project implementation: progress in implementing all other activities except core output (WRS); indicated priority is assuring coffee quality and not financing; cotton deposits should be into warehouses at ginneries and not at primary society level. Considered project management structure as too bureaucratic and complained about delays in reimbursing LMU. Support extension.	Min. of Tourism, Trade and Industry (MTTI), Kampala.

17/06/03	Chris Baine, Manager Commodity and Structured Trade Finance, Stanbic Bank (Uganda). In attendance: Hannington Sebaduka Review Team: G. Onumah, D. Day Robinson and Alan Marter	Briefed Team about the bank's involvement in structured finance, detailing requirements (summarised in report). Interest in project related to bank's goal of expanding commodity finance portfolio. Currently works with ACE in financing imports/exports.	Stanbic Bank (Uganda), Head Office, Kampala.
17/06/03	Standard Chartered Bank (Uganda): Milly Nkaja, Head, Credit/Sales Support; and Christopher Kigenyi, Relationship Manager, Corporate Banking. In attendance: Hannington Sebaduka Review Team: G. Onumah, D. Day Robinson and Alan Marter	Discussed interest in WR project – indicated that involvement in inventory-backed finance recent; considers fees by collateral managers as high; Looked at the LMU proposal to extend WR finance to primary societies – views administration cost as high and volumes too low.	Standard Chartered Bank (Uganda), Head Office, Kampala.
17/06/03	Dr. F. Bitanihirwe, Agricultural Services Manager, SGS. In attendance: Hannington Sebaduka Review Team: G. Onumah, D. Day Robinson and Alan Marter	Participation in project WRS pilot – indicated interest (active in NAC), but indicated company is marginal player in collateral management.	Imperial Hotel, Kampala.
18/06/03	Uganda Grain Traders Association (UGTA): John Magnay, Chairman, Chris R. Kaijuka, Gordon W. Jones. In attendance: Ms. Blandina Nsharika, Hannington Sebaduka Review Team: G. Onumah, D. Day Robinson and Alan Marter	Discussed potential for including maize in commodities receipted, especially to take advantage of regional export potential. Association has modern 30,000 tonne capacity warehouse.	UGTA warehouse and Offices, Kampala.
18/06/03	Amos T. Tumwesigye, Acting Country Manager, Audit Control & Expertise (ACE)	Participation in project WRS pilot – unable to provide information because of directive from international head office.	ACE Head Office, Kampala.

18/06/03	Fred E. G. Mwesigye, Commissioner for Co-operatives MTTI In attendance: H. Sebaduka Review Team: G. Onumah, D. Day Robinson and Alan Marter	Briefed Team on new WR initiative covering other commodities and financed by EU under PMA. Outputs and approach similar to CFC-funded project; close collaboration between two projects agreed.	Imperial Hotel, Kampala.
18/06/03	Visit to LMU office	Review of project documentation.	MTTI
19/06/03	Support for Private Enterprise Expansion and Development (SPEED) Project: Jack Thompson (SME Finance Advisor) and Paulo Luswata (SME Finance Specialist) In attendance: H. Sebaduka Review Team: G. Onumah, D. Day Robinson and Alan Marter	For briefing on the credit guarantee scheme run by the project and funded by USAID. Guarantees up to 50% of principal (max. of US $1 million). Smallholders not reached under project; but see potential for WRS to make access to finance to them possible.	SPEED Offices, Kampala,
19/06/03	Co-operative ginners: Adam A. Bwambale (Secretary/Manager, Nyankatonzi Co-operative Union Ltd), Patrick Oryang (Secretary/Manager, Lango Co-operative Union Ltd.) In attendance: H. Sebaduka, Mrs. Jolly K. Sabune (UCDA) Review Team: G. Onumah, D. Day Robinson and Alan Marter	Discussed role of ginneries in WRS – have more suitable warehouses (in terms of security and size of facilities); as smallholder-owned organisations, members will benefit from depositing with them. Storage fees seen as less important than assured supply of seed cotton.	Head Office, UCDA, Kampala.
20/06/03	Kenneth Mugambe, Assistant Commissioner, Ministry of Finance, Planning and Economic Development; Dr. P. Ngategize, Director, Ministry of Agriculture. In attendance: Ms. Blandina Nsharika, Hannington Sebaduka Review Team: G. Onumah, D. Day Robinson and Alan Marter	Discussed Govt view of and support for project – seen as important for development of commodity sector; broadening coverage to other commodities will be welcome; sees targeting of smallholders as important but they need not be direct beneficiaries, depositing directly participating warehouse operators, particularly during the early stages of the development of the system. Govt keen to get legislation enacted; awaiting information from MTTI to produce certificate of financial implications, enabling draft bill to be submitted to legislators.	Ministry of Finance, Planning and Economic Development, Kampala.

20/06/03	Sunil Sahdev (Deputy Managing Director, Orient Bank) In attendance: H. Sebaduka Review Team: G. Onumah, D. Day Robinson and Alan Marter	Discussed project and involvement in commodity financing – active in coffee financing, mainly to processors, using ACE. Participated in discussions of the draft WR legislation, seen by them as critical to development of the system. Will not take advantage of line of credit unless it is very cheap.	Head Office of Orient Bank, Kampala,
20/06/03	Representatives of UCDA, CDO, MTTI and the LMU Review Team: G. Onumah, D. Day Robinson and Alan Marter	Discussed general observations of the Team and recommendations submitted by the LMU and collaborating bodies on: broadening commodity coverage, restructuring NAC, ensuring that warehouses involved in the pilot WRS are located at the level of processors and not at the primary co-operative societies; and the need to involve the collateral managers in the pilot.	CDO Head Office, Kampala.
21/06/03	Dr. Willie O. Odwongo Director, Plan for Modernisation of Agriculture (PAM) Secretariat. In attendance: H. Sebaduka Review Team: G. Onumah, D. Day Robinson and Alan Marter	Discussed new WR initiative under PAM – EU pledged Euro 2 million in support of the project; covering storable agricultural commodities other than cotton and coffee; seen as part of the development of a commodity exchange under PAM, for which a Zimbabwean consultant (Ian Goggin) has been contracted; project management located in unit headed by F. Mwesigye in MTTI. Need for collaboration between the two WR projects stressed.	PAM Secretariat, Kampala.

COUNTRY: TANZANIA

23/06/03	LMU: Elizabethy Kimambo, Project Officer/National Project Coordinator (NPC); Sabuni M. Mbaga, Associate Project Coordinator (Cotton Sector); Fidelis Temu, Associate Project Coordinator (Coffee Sector) Review Team: G. Onumah, D. Day Robinson and Ana Marr	• Discussed review mission and agreed visit programme. • Progress briefing by LMU	Impala Hotel, Arusha
24/06/03	Tangayika Coffee Curing Company Ltd (TCCC)., Moshi – Mr. Z. S. Moshie (Managing Director) In attendance: Elizabethy Kimambo, Sabuni M. Mbaga, Fidelis Temu Review Team: G. Onumah, D. Day Robinson and Ana Marr	Briefed Team about involvement of company in the issuing of non-negotiable WRs for coffee – a programme started in 1998, with CRDB, Kilimanjaro Co-operative Bank and Equator Bank providing finance. No collateral managers are involved, and TCCC is liable for any losses. Loan repayment is ensured through requiring payment for coffee sold at the single Auction market to be made through financing banks. Sees the main benefits of the CFC project as providing a legal framework for receipt financing, and introducing new primary co-operative societies to curing factories participating in the programme. Revenue from coffee processing is more important to TCCC than storage fees.	TCCC Offices, Moshi
24/06/03	Kilimanjaro Co-operative Bank – John Kulayar (Branch Manager) In attendance: Elizabethy Kimambo, Sabuni M. Mbaga, Fidelis Temu Review Team: G. Onumah, D. Day Robinson and Ana Marr	Briefed Team on bank's experience in financing WRs issued by curing factories: Involved for over 5 years, initially with co-operative unions but extending to primary societies (new focus); WR financing preferred other forms of collateral (especially land) are either unavailable or difficult to foreclose. Monitor market prices and advice borrowers, where necessary. With total assets of about US $2 million, the bank is interested in access the loan component of the project. The main benefit of project has been	Branch office of the Kilimanjaro Co-operative Bank, Moshi

		to facilitate extension of system to more primary societies (with project staff assisting in screening candidate societies).	
24/06/03	Moshi Coffee Exchange: Primus Kimaryo (Manager) In attendance: Elizabethy Kimambo, Sabuni M. Mbaga, Fidelis Temu Review Team: G. Onumah, D. Day Robinson and Ana Marr	Modernisation of the Auction system made possible by significant investment in computerisation and staff training by the project. Benefits include improved efficiency, increased participation by buyers leading to improved prices, more readily available market information and channelling payments for coffee through financing banks.	Moshi Coffee Exchange, Moshi
25/06/03	Anderson Y. L. Mlabwa, Director of Credit, CRDB Bank Ltd. In attendance: Elizabethy Kimambo, Sabuni M. Mbaga, Fidelis Temu Review Team: G. Onumah, D. Day Robinson and Ana Marr	Bank's experience in inventory-based finance and interest in project. Bank has been using ACE as collateral managers, paying US$2,800 per month/site – considered too expensive. Started using curing factories, which charge nominal fees, and extended credit to primary societies through initiative by LMU (about US$2.2 million extended in 2002). Main concerns, and areas for project intervention include: formalising selection criteria and liabilities of the curing factories (can be achieved by means of the legislation), reducing the burden and cost of oversight of system by banks and wider dissemination of information about system to primary societies.	CRDB Bank Ltd. Head Office, Dar es Salaam.
25/06/03	Exim Bank (Tanzania) Ltd.: Mrs. S. M. J. Mwambenja (Managing Director), R. R. Chandramouli (General Manager) In attendance: Elizabethy Kimambo, Sabuni M. Mbaga, Fidelis Temu Review Team: G. Onumah and Ana Marr	Bank's experience in inventory-based finance and interest in project: Provides commodity finance involving use of mainly ACE. Main targets are big borrowers, including a few co-operative unions but no primary societies because of the cost of CMAs. CMA-based financing attracts interest of 14% compared to 14-18% for other forms of commercial lending. Interested in project because it is expected that it can lead to the development of transferable WRs, especially when supportive legislation is enacted.	Exim Bank Head Office, Dar es Salaam.

26/06/03	Tanzania Cotton Lint and Seed Board: Dr. Joe C. Kabissa (Director General), Thomas W. Fille (Regulatory Manager. In attendance: Elizabethy Kimambo, Sabuni M. Mbaga Review Team: G. Onumah and Ana Marr	Project implementation and benefits to sector: favour use of warehouses owned by ginners rather than those owned by primary societies for receipting cotton; need for further consultation with stakeholders on proposed legislation; NAC needs to be restructured, with Technical Advisory Committee being made more effective; and support for extension services need to be considered as a means of improving quality.	Head Office, TCLSB, Dar es Salaam.
26/06/03	Visit to Dar es Salaam Port to see quality testing equipment procured under project. In attendance: Elizabethy Kimambo, Sabuni M. Mbaga Review Team: G. Onumah and Ana Marr	Quality assurance for exporters is more effective with equipment. Charge user fees which will allow full cost recovery within 5 years.	Dar es Salaam Port
27/06/03	Dr. L. C. Komba, Permanent Secretary, Ministry of Co-operatives and Marketing (MCM)	Project implementation and government interest: Govt has keen interest in project, wants extension and coverage broadened to other commodities. Parliamentarians and other stakeholders sensitised about the WRS and required supportive legislation (confident it will be passed but further consultation needed). Collateral managers provide useful service but very expensive. Easing access to finance for primary societies depositing with curing factories consistent with Govt goal of increasing participation of the primary societies in crop marketing. Govt counterpart contribution made in the form of seconded staff, office space and tax exemptions for imported equipment. Govt intends to make a budgetary contribution in the next fiscal year.	MCM Offices in Dodoma
28/06/03	LMU personnel	Review of project documentation and operation of LMU.	LMU offices, Dar es Salaam

29/06/03	Wrap up meeting: In attendance: Elizabethy Kimambo, Sabuni M. Mbaga, Fidelis Temu Review Team: G. Onumah and Ana Marr	Reviewed observations by the Team and discussed changes required to assure success if project is extended.	Courtyard Hotel Conference Room, Dar es Salaam.

COUNTRY: ZIMBABWE

30/06/03	Dagmore Tawonezvi, Project Manager Review Team: G. Onumah and Ana Marr	• Discussed review mission and agreed visit programme. • Progress briefing by LMU – country opted for a modified version of system previously used for receipting grains by the Zimbabwe Agricultural Commodity Exchange (ZIMACE).	Holiday Inn, Harare.
01/07/03	David Mfote, Permanent Secretary, Ministry of Lands, Agriculture and Rural Resettlement (MLARR) In attendance: D. Tawonezvi Review Team: G. Onumah and Ana Marr	Project implementation and government interest: project seen by Govt as important in promoting coffee production and export; disabling policies that curtailed progress by ZIMACE will not affect coffee system since the sector is small and mainly export-oriented. Concessions to tobacco exporters (allowing them to retain 20-50% of export earnings may be extended to coffee). See role as NPC in facilitating activities by LMU, which should have a free hand in handling operational issues. Progress made in drafting supportive legislation. Extension necessary to complete project outputs.	MLARR offices, Harare.
01/07/03	Meeting with NAC	Discussion of project objectives and implementation: broad support from both private sector players and Govt officials. Noted that progress has been made in achieving outputs except WRS; ZIMACE model widely accepted, implementation delayed because of delay in getting supportive legislation. Risk of Govt intervention seen as low because little relevance in household food security. Cost recovery for equipment procured has not been a priority but could undermine sustainability of those interventions.	Sheraton Hotel, Harare
01/07/03	Pedzisai Matamba, General Manager, ITS Socotec	Interest in project: ITS Socotec is the dominant player in provision of collateral management services. Keen to support project, will charge reduced fees (sufficient to cover marginal cost) for initial participants to kick-start pilot. Current fees range	Head office of ITS Socotec, Harare.

		between US $1,000 and $1,800. Other storable commodities like soybean should be included. Does not see any role for a regulator of participating warehouse operators.	
02/07/03	Grain Marketing Board (GMB): Emson Mandizvidza, Marketing Manager, B. F. Makombe, Depot Manager In attendance: D. Tawonezvi Review Team: G. Onumah and Ana Marr	Company's interest in project: as one of the two candidate warehousing companies, GMB has suitable storage capacity for 20,000 tonnes of coffee (annual national output estimated at 5,000-7,000 tonnes), is well equipped and has skilled staff for quality assurance and storage. Anticipates project will increase volume of coffee processed by the company.	GMB offices, Mutare
02/07/03	Zimbabwe Coffee Mill (ZCM), Chief Executive In attendance: D. Tawonezvi Review Team: G. Onumah and Ana Marr	Company's interest in project: ZCM is the market leader in coffee processing and export (on behalf of members); it is very well-equipped and enjoys the confidence of producers (both small and large). Receives financing from Trust Bank secured with stocks.	ZCM office, Mutare
03/07/03	Agribank of Zimbabwe Ltd: Day Muyambo (Executive Director), Zivai Hove (Director General), K. Ontu (General Manager) In attendance: D. Tawonezvi Review Team: G. Onumah and Ana Marr	Bank's interest in WR financing and project: Bank has long history of involvement in agricultural finance but not in inventory-based finance. Believes project will make WR financing more attractive, especially when legislation is passed. Suggests investment in provision of extension services to farmers to increase output.	Head offices of Agribank of Zimbabwe Ltd, Harare
03/07/03	Bleming Nekati, Head, Export Agriculture, Trust Bank In attendance: D. Tawonezvi Review Team: G. Onumah and Ana Marr	Bank's interest in WR financing and project: Bank is third biggest bank in the country, is market leader in WR financing, having been active in financing maize and soybeans under the ZIMACE system. Finances ZCM. Sees legislation as important in protecting depositors and lenders from Govt interventions.	Head offices of Trust Bank, Harare.

03/07/03	Kingdom Bank Ltd.: Eddie S. Katanda (Divisional Director), Reggie Dangarembwa (Assistant General Manager) and Obert Murambiwa (Relationship Manager) In attendance: D. Tawonezvi Review Team: G. Onumah and Ana Marr	Bank's interest in WR financing and project: another major player in WR financing. In addition to CMAs involving ITS Socotec, they take personal guarantees from borrowers. Sees legislation as helping enforce loan covenants secured against stored commodities. Prefers dealing with ZCM to GMB (which is state-owned), suggesting latter could be made to lease storage space to private operators.	Head offices of Kingdom Bank, Harare.
03/07/03	Office visit In attendance: D. Tawonezvi Review Team: G. Onumah and Ana Marr	Reviewed project documentation and operations of office.	LMU offices, Harare.
03/07/03	Wrap up session In attendance: D. Mfote and D. Tawonezvi Review Team: G. Onumah and Ana Marr	Reviewed observations by the Team and discussed changes required to assure success if project is extended.	MLARR offices, Harare.

COUNTRY: UNITED KINGDOM

17/07/03		Reviewed observations by the Team and discussed changes required to assure success if project is extended, including especially the role of the PEA.	London
17/07/03	International Coffee Organisation (ICO): Ms. Lilian G. Volcan (Economist) and Denis O. Seudieu (Chief Economist). In attendance: Abdirazak Awale, UNOPS Review Team: G. Onumah and Ana Marr	Reviewed project implementation and role of ICO in project supervision.	London

APPENDIX 4:

LIST OF PARTICIPANTS AT MEETING TO DISCUSS DRAFT REPORT AT THE OFFICES OF THE COMMON FUND FOR COMMODITIES IN AMSTERDAM ON 4TH SEPTEMBER 2003

Name	Organization
Mr. L.C. Komba	Ministy of Cooperatives & Marketing
Ms. Elizabeth Kimambo	Ministry of Cooperatives & Marketing
Ms. Blandina Nshakira	Ministry of Tourism, Trade and Industry
Mr. Fred Mwesigye	Ministry of Tourism, Trade and Industry
Mr. D. Mfote	Ministry of Lands Agriculture and Rural Settlement
Mr. Terry Townsend	ICAC
Mr. Denis Seudieu	ICO
Mr. A. Awale	UNOPS
Mr. Hannington Sebaduka	UNOPS
Mr. G. Onumah	NRI
Mr. Rolf W. Boehnke	CFC
Parvindar Singh	CFC
Mr. Sietse van der Werff	CFC
Mr. Mark Clayton	CFC
Mr. Caleb Dengu	CFC