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KEDS PROJECT

QUARTERLY REPORT

January-March 1994

15 April 1994

"We must waste no time in reforming and energizing the bureaucracy. Unnecessary regulations must be resolutely abolished."

-President Kim Young-Sam of South Korea
The Wall Street Journal Europe; March 31, 1994

Development Alternatives, Inc.
USAID Contract No. 623-0249-C-00-2-21-00
KEDS Project P.O. 40312 Nairobi, Kenya

KENYA EXPORT DEVELOPMENT SUPPORT (KEDS) PROJECT

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KENYA EXPORT DEVELOPMENT SUPPORT (KEDS) PROJECT

I. EXECUTIVE SUMMARY:

The first two years of the KEDS Project concludes in April 1994. A second two-year phase is now beginning which will run to the project's scheduled completion date of April 1996. The first phase of project implementation focused on improving the export policy environment while improving the capability of the private sector to respond to market opportunities. A separate report covers project progress and achievements to date; this report covers progress during the recent quarter (Jan-Mar 1994).

The KEDS Public Sector Component, led by Advisor Adrian Strain, organized and sponsored a 2.5-day Export Finance Workshop Feb 2-4, entitled: *Export Finance - Policies and Modalities*. The workshop was attended by 75 of Kenya's leading bankers and insurance executives, and generated suggestions for government reform of the banking and insurance sectors. Short-term technical advisors Jim Emery and Ceci Sager delivered a draft summary of the three studies on *Kenya's Export Competitiveness* (Policies, Institutions and Factors of Production) to Kenya; Emery made a summary presentation of finance-related findings at the February Workshop on export finance policy, and he and Sager presented a debriefing at USAID.

The Private Sector Component was also active this quarter. Led by Advisor Karen Potter, the KEDS firm-level program finalized procedures for the Export Development Fund (EDF) including selection criteria, operating regulations and application/business plan procedure. The EDF is a cost-sharing grant mechanism to increase employment through expanded non-traditional exports. Potter, assisted by Simiyu Wambalaba, has since contacted 225 firms, generating 42 responses from companies interested in KEDS support. Applications have been sent to these firms and 3 have thus far been returned to KEDS. A direct contact campaign targeting the KEDS program to priority candidates has commenced; KEDS will assist applicants with business plans and finalization of the project assistance grants.

Paul Guenette, managing the institutional support program, gave a seminar to 45 horticultural exporters on January 20th entitled: *How to Benefit from International Trade Shows*. He also produced a Seminar: *Export Finance for Manufacturers* at which short-term financial consultant Bromley Smith presented export finance manuals to participants. The popularity of this seminar was such that two sessions were held, February 8 and 14, each serving 65 manufacturers. Guenette also contributed significantly to the organization of *Hortec '94*: East Africa's First International Horticultural Trade Show March 16-19, 1994 which attracted over 4,000 participants. In addition to contributing general planning to the show, KEDS sponsored booths for FPEAK and HCDA; Guenette presented a seminar: *How to Benefit from International Trade Shows* on March 16 to an audience of 125 show attendees. Short-term Advisors Dany Fernandez and Katherine Kariuki provided computer system assistance and publishing help to KEDS' client business associations.

KEDS Management Officer in DAI, Jean Gilson, visited the project in early March to consult with project clients and evaluate progress to date.

II. PUBLIC SECTOR COMPONENT

A. Policy Programs:

1. EPPO Institutional Development

It has not been possible during this quarter to bring about significant improvements in the level and expertise of EPPO staffing or in the existing accommodation. However, in February a decision was reached that the EPPO would be moved as soon as possible in the new financial year (starting July 1st) to a whole floor in the new NSSF building. This decision was the result of consistent pressure from the KEDS Project, its EPA and USAID. The lease has now been signed and the rent has been paid so that there is every prospect of a move in the summer months. As part of this process, the KEDS EPA prepared an updated and detailed report on staffing and accommodation requirements which will form the basis of the staffing and office partitioning plan to be drawn up by contractors appointed by the Ministry of Public Building & Works. The KEDS EPA continues to monitor developments in this area.

Further developments took place during this quarter in the refinement of the 9 EPPO specific duty/VAT remission (DVR) forms, covering remissions not only for imports used in exports but also for imports to be used in the production of Essential Goods (which are often exported).

The computerization of the EPPO records on DVR approvals and reconciliations was completed this quarter with STTA provided by the KEDS project. This exercise took the form not only of entering and validating the large amount of company data but also the design of a special menu driven and user friendly data analysis program based on dBase IV. Current data will now be entered into this database by the EPPO staff and the program will provide the foundation for policy analysis work connected with the tracking of the DVR programs.

EPPO auditing work continued to be a difficult area, with a large audit backlog building up because of staff shortages, particularly in respect to DVR on imports for the production of Essential Goods. The KEDS EPA drew up a detailed privatisation proposal for this work which has now been accepted in principle by the Government. Much of his time this quarter was taken up with discussions on and refinements to this privatisation proposal.

2. Export Policy Reform

In a Circular dated February 18th, The Central Bank announced many substantial improvements to the exchange control regime (in annex). In summary the more important of these are:

- The percentage of forex allowed to be retained in retention accounts during the 90-day grace period before surrender to the CBK was increased from 50% to 100% and was made applicable to all exporters of goods and services. Furthermore, Kenyan residents with non-export earnings are permitted to open such accounts.

- The restrictions on local borrowing by foreign controlled companies are removed.

- Residents are now permitted to borrow unlimited amounts abroad provided that the interest charge does not exceed 200 basis point above LIBOR.

- Limitations on the export of Kenya currency notes were relaxed.

The next priority areas of focus for policy change relate to the preparations for the June Budget Statement which are confidential. The KEDS EPA is directly concerned with the preparation of policy and administrative changes relating to export development.

B. Field Programs:

1. Seminars/Workshops

A Workshop on export finance and insurance was designed and organised by the KEDS EPA in very close collaboration with the Export Promotion Council. The 2.5-day Export Finance Workshop Feb 2-4, 1994 was entitled: *Export Finance - Policies and Modalities*. This brought together 75 officials from the Treasury, CBK and relevant specialist agencies with senior management from the great majority of the commercial banks operating in Kenya and almost all the insurance companies interested in this area. The export finance and insurance findings of the *Kenya Export Competitiveness Study* (described below) constituted the keynote technical paper presented at this Workshop. Detailed recommendations were then made for policy action and action by the private financial sector.

National Conference on Investment - The Conference which had been scheduled for March 9-10, 1994 has been postponed to early May 1994. It is no longer an "export". conference but rather an investment conference. KEDS support is therefore no longer appropriate.

2. Studies

The principal study completed this Quarter was the *Kenya Export Competitiveness Study* which has been described in previous reports. The Draft Final Report of this study was prepared by the end of January and circulated for information and comments to the Ministries of Finance and Commerce & Industry, as well as to USAID. The KEDS EPA provided detailed comments on the policy and regulatory aspects of the Report for incorporation with other comments in the Final Report.

The Study examined export competitiveness from three perspectives, namely:

- The policy environment relevant to the export sector;

- Institutions implementing the policies and supporting the export sector; and

- Basic economic factors important to export performance.

The Study Report is complex, comprising 4 volumes and over 250 pages. The main findings in the final draft are:

- Kenya has a good (though not exceptional) mix of policies on paper but they are not being implemented as effectively, consistently and transparently as in some other countries so that there is a major crisis of business confidence;

- Kenya presently compares well on most factor cost counts but its export finance is both high cost and comparatively undeveloped and severe difficulties are encountered in the transportation sector;

- Kenya's present development advantage over some (but not all) countries is not likely to last beyond two or three years unless forthright action is taken in the immediate future to address implementation deficiencies in the administration of current policies, both through fine tuning of the regulations, more efficient and less corrupt administration and the reorganisation and demonopolization of the relevant institutions.

3. GOK/Private Sector Dialogue

Apart from the highly proactive dialogue generated by the Export Finance Workshop noted above, close contact has been maintained with the private sector in connection both with the operation of the EPPO and in relation to their submissions for consideration in the preparations for the Budget Statement. The KEDS EPA held a meeting on export and EPPO documentation with the Export Sector Committee of the KAM and with many individual export companies.

4. Other Activities

In liaison with PEMU, the KEDS EPA had a series of discussions with the top management of KAHL and Kenya Airways to explore ways of improving KAHL handling procedures and of securing funding for emergency improvements to cool store facilities. These discussions continue.

III. PRIVATE SECTOR COMPONENT

A. PEMU & Firm-Level Programs:

1. Private Sector Survey Phase II:

This report was published and distributed.

2. Export Development Fund (EDF) Status:

a. Criteria and Procedures Approval:

USAID approved the KEDS EDF firm-level assistance criteria, the general regulations governing operation of the fund, and the application procedure and documents which include an application form and business plan.

b. KEDS Firm-Level Mailing:

A total of 225 companies have been contacted by KEDS since February 23, 1994. They include all Baseline Survey Phase I and II respondents and all firms who have independently contacted us. This list is, of course, expanding as new inquiries are received. We answer all inquiries in writing.

c. EDF Application Process:

1. Step 1 - All companies receive a formal letter of which there are four versions. Companies receiving versions one and four are ineligible for assistance. Companies receiving version two are sent the criteria only; companies receiving version three are sent the criteria plus a Baseline Survey questionnaire since they have never completed one. Another copy of the criteria is also enclosed.

2. Step 2 - This step includes two alternatives. For those companies satisfying the criteria, KEDS sends to them the EDF General Regulations and an application form along with an explanatory letter. For those companies that have requested the application but do not meet the criteria, KEDS verifies this via a telephone call and then follows up with a letter suggesting other potential sources of assistance.

3. Step 3 - This is the final step of the application process which is a business plan. KEDS discusses this plan together with the candidate firm and offers assistance in completing it. If it becomes obvious that the firm needs extensive assistance in developing a proper business plan then this would become the consultancy activity considered for KEDS EDF funding.

It should be noted that if we find through experience with step 3 that the plan is overly burdensome for the candidate, then this step will have to be amended or perhaps eliminated.

d. Status of EDF Applications:

Of the 225 companies contacted to date (40% horticulture, 60% manufacturing), 50 firms are ineligible for KEDS EDF assistance as per our selection criteria. Of the remaining 175 eligible firms, 57% are manufacturing and 43% are horticultural.

In response to step 1 (the mailing of KEDS criteria), 42 applications (24% of the 175 firms) have been sent and 3 have been returned to KEDS. The KEDS EDA has met or spoken with those three firms regarding their assistance proposals and given /reviewed with them the business plan. The next step is for those firms to complete and return the plans to KEDS for evaluation or confirm their need for assistance with the plan.

e. Target Marketing of KEDS EDF:

Based on careful assessment of the Baseline Survey Phase I and II questionnaires vis-a-vis the EDF criteria, the EDA and Assistant EDA have identified a primary list of 62 firms (35% of the qualifying 175) which are strong potential EDF candidates. Their selection was based, first, on being small to medium in employment levels (11-100) and second, on meeting the export and total sales requirements.

We have also developed a secondary list of 15 firms. These are large firms (100+ employees) which meet or exceed the total and export sales revenue criteria.

An ongoing telephone campaign is underway to target market the KEDS EDF consultancy assistance to those firms as a supplemental effort to the previous mailing. This telephone campaign has also been extended to all firms in receipt of the EDF application form to follow-up on the form's status and assist with any questions/problems.

Responses to date indicate a rather complacent, lackadaisical attitude on the part of many firms in responding to the EDF mailings of both criteria and applications. This may suggest that a more intensive and broader marketing/advertising effort should be undertaken to communicate the program and its benefits to exporters.

f. EDF Promotional Information:

A draft of the abbreviated EDF criteria one-page insert for the KEDS promotional brochure has been completed. It is currently being revised to accommodate format restrictions.

Deloitte & Touche, as a subcontractor providing STTA under the firm-level program, has finalized and is currently producing an informational brochure for use with their clients as well as for KEDS' use. The brochure provides background information on D&T, its areas of consultancy expertise and a description of the KEDS EDF program.

3. IESC Memorandum of Understanding:

A letter of understanding regarding administration of the DAI-KEDS grant program with IESC has been completed and was signed by DAI and IESC, approved by USAID on February 24, 1994. The memorandum governs the $250,000 technical support consultancy budget under which IESC will provide firm-level assistance primarily in the areas of production, quality control/assurance, manufacturing, etc..

B. KAM, HCDA, and FPEAK Institutional Support Activities:

Paul Guenette, managing the institutional support program, participated in the 12th ACP/EEC Trade Conference organized by COLEACP in Tanzania January 10-13 on the theme *"Development of Private Sector Horticultural Exports from ACP Countries and the Support of Exporters' Associations."*

1. KAM:

a. Institutional Development:

- KEDS discussed with KAM a strategy to refine their in-house desktop publishing Newsletter capability to produce an improved KAM Newsletter.

- A 1994 KEDS support program for KAM was discussed; priorities were determined for 1994 international trade shows to have KEDS facilitate KAM participation in KENTEX '94 in Nairobi and the Dar es Salaam International Trade Fair in Tanzania.

b. Trade Fairs:

- KEDS began initial planning with KAM regarding the *Dar es Salaam International Trade Show* to be held in early July in Tanzania. KEDS and KAM have resolved to again work in coordination with the Commerce Ministry's Department of External Trade to develop a "Kenya KAM Pavilion" in Dar es Salaam similar to the Kenya Pavilion which was created at the Kampala Show in late 1993.

c. Workshops:

- Guenette produced a Seminar: *Export Finance for Manufacturers* at which DAI financial consultant Bromley Smith presented export finance manuals to participants. The popularity of this seminar was such that two sessions were held, February 8 and 14, each serving 65 manufacturers.

2. HCDA:

a. Institutional Development:

- KEDS provided HCDA with assistance to produce a modern newsletter in-house in time for the newsletter to be distributed at the HCDA stand at *HORTEC '94*.

- KEDS provided assistance to develop a tri-fold HCDA brochure (in annex) and to update HCDA's *Kenya Crop Availability Chart* (in annex). HCDA produced its second quarterly newsletter in March, *The Horticultural News* (in annex).

- KEDS is providing continued assistance to develop a computer-based system to enter and process horticultural export data. The export database will allow for timely reporting and for analysis of the horticultural export data gathered.

- Simiyi Wambalaba's work continued with the HCDA Taskforce on the final draft of the *HCDA Export Crop Manual*. The draft has been vetted by numerous local and international authorities for accuracy and completeness, and appropriate revisions made to the text. Comments are still being sought, however, from the Kenya Agricultural Research Institute and the Ministry of Agriculture.

b. Trade Fairs:

- KEDS worked with HCDA and FPEAK supporting and assisting Events & Conference Organizers in the planning for *HORTEC '94: East Africa's First International Horticultural Trade Show*, held in Nairobi March 16-19, 1994. The show attracted over 4,000 suppliers of materials and equipment to the Kenyan horticultural industry, FPEAK members, international buyers of fresh produce and industry experts. KEDS sponsored the booth for HCDA at *HORTEC '94* (See photo).

c. Workshops:

- Guenette presented a workshop: *How to Benefit from International Trade Shows* on March 16, 1994 to an audience of approximately 125 show attendees.

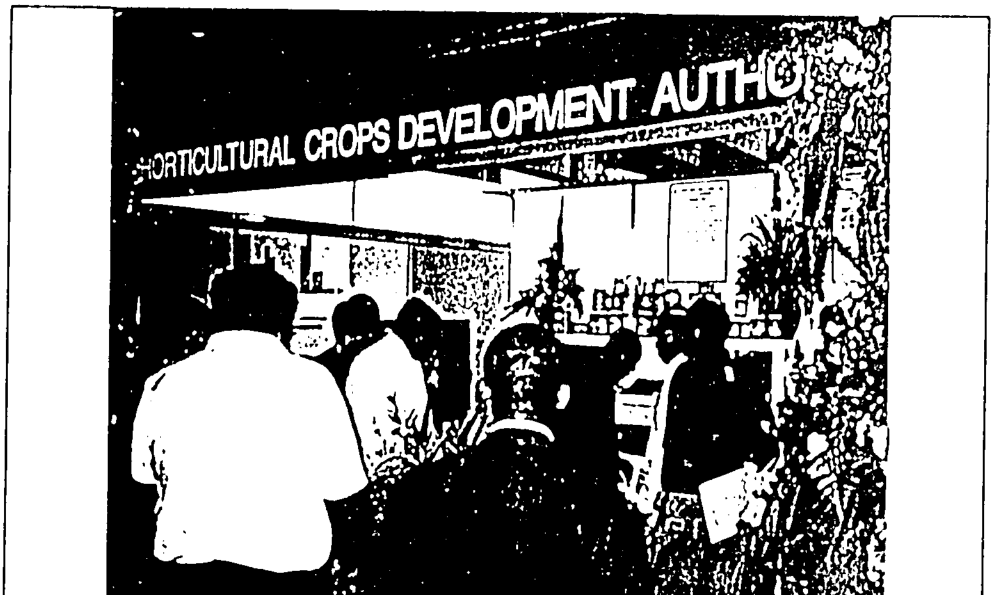

Figure 1: HCDA Booth and staff in action at *HORTEC '94*.

3. FPEAK:

a. Institutional Development:

- FPEAK now has strengthened in-house Newsletter capability to produce a more elaborate and attractive newsletter. During the quarter, KEDS assisted FPEAK to produce January, February, and March issues of the *Fresh Produce Exporter* (in annex).

- KEDS continued to work with FPEAK on the recruitment of a Chief Executive, soliciting the Executive Search services of Deloitte & Touche.

- KEDS contributed to Board discussions concerning proposed revisions to the FPEAK Constitution and toward organizing the upcoming (April 20, 1994) Annual General Meeting.

- Work on FPEAK's proposed *Code of Practice* continued. The Task force gained the participation and contributions of technicians from HCDA and the Pest Control Products Board.

b. Trade Fairs:

- In addition to contributing general planning to the show, KEDS sponsored the booth for FPEAK at *Hortec '94* March 16-19, 1994 (See photo). The show attracted over 4,000 attendees.

Figure 2: FPEAK Booth and staff at *HORTEC '94*.

c. Workshops:

- At an FPEAK Luncheon seminar on January 20, 1994 Guenette's presentation included a slideshow and Q&A session for 45 horticultural exporters entitled: *How to Benefit from International Trade Shows.*

- Guenette presented a similar seminar: *How to Benefit from International Trade Shows* on March 16 to an audience of 125 show attendees during *HORTEC '94*. This seminar is reported above under "HCDA c. Workshops." See photo below.

Figure 3: The ten HORTEC '94 seminars each drew between 125-175 persons.

IV. KEDS WORK PLAN FOR THE SECOND QUARTER OF 1994

A. PUBLIC SECTOR

The Public Sector Component activities planned for next quarter include:

- Routine preparatory work for the next Budget Statement; some budget preparatory work will reflect the findings of the *Export Competitiveness Study* and the recommendations of the workshop: *Export Finance - Policies and Modalities*;

- The possible induction and technical training of additional EPPO staff;

- When adequate staff are indeed assigned, efforts will be made to resume the institutional development programs in the publicity and auditing areas and more sophisticated use of the database systems will be introduced.

- The existing program of data entry and validation in accordance with the new database design will continue until completion, with the assistance of KEDS consultancy input where necessary.

- In accordance with the Government's general desire to privatize its operations where possible, exploratory studies will continue to assess the feasibility, cost and advantages of privatizing many of the present auditing functions of the EPPO, perhaps through the use of Pre-Shipment Inspection Companies.

- Follow up Meeting on Export Finance Policies and Modalities - This meeting is to follow up on the February *Workshop on Export Finance Policies and. Modalities*. In collaboration with the Export Promotion Council, KEDS is scheduling the meeting for late May 1994, following the National Investment Conference and the African Development Bank meetings (both events scheduled for early May).

B. PRIVATE SECTOR

The Private Sector Component activities planned for next quarter include:

1. Firm-level:

- Continue processing applications and business plans and follow-up outstanding forms with telephone calls and/or visits.

- Continue the target marketing campaign among strong potential candidates. Commence target marketing to the secondary list.

- Commence selective publicity campaign with the media (business editors/writers) and business associations, e.g. speaking engagements at Rotary Club, to create awareness and interest in the PEMU EDF firm-level program.

- Print one-page insert of EDF criteria for the KEDS brochure.

- Develop pro-forma letter of agreement for successful EDF candidates.

2. Institutional Support:

a. FPEAK & HCDA:

- Final editing preliminary to publication of the *HCDA Export Crop Manual.*

- Selection and planning for SIAL, an International Trade Show scheduled for October 1994 in Paris. Support for FPEAK and HCDA participation in the show, including booths and Show workshops.

- Distribution of Volume II (Technical support documents) of the *Quality Assurance Manual* for horticultural exports from the UK's Natural Resource Institute; and

- Preparation and planning of Technical workshops on *Market Information - What it is and how to use it*, and *Commercial Herb Production and Marketing.*

b. KAM:

- KEDS will assist KAM to review the capability of the newly installed Trade Information Network (TINET) being provided by UNCTAD/GATT.

- Planning and budgetary support to KAM to facilitate representatives participation in the Dar es Salaam International Trade Fair which is scheduled for July 1-7, 1994.

Fresh Produce Exporter

MEMBER
FRESH PRODUCE EXPORTERS ASSOCIATION OF KENYA

A Monthly Newsletter of the Fresh Produce Exporters Association

Janaury 1994 Volume 1, Number 9

Kenya: What the U.K. Importers Say

During his recent visit to the U.K., the Hon. Simeon Nyachae M.P. Minister for Agriculture Livestock Development & Marketing spoke on the urgent needs for improvements to be made by Kenya's transportation and packaging sectors. These views were echoed by the U.K. importers interviewed:

a) Air freight rates are the real drawbacks The high costs of air freight can account for more than 60 per cent of the value of the produce. These rates will have to come down eventually as exports rely on air freight, because most exports are too perishable to send by ship. Shipping should be left to the heavy produce e g. mangoes and avocadoes. Although jet fuel was reduced in mid 1993 in order to make Kenyan imports cheaper air freight rates have yet to be lowered. Lack of cold storage facilities at the Nairobi Airport is another drawback since delays are very common thereby resulting in poor quality products being exported.

b) Access to the airports has improved where roads linking producing areas are 'all weather' roads; this makes it easier for the exporter with refrigerated trucks.

c) Packaging of the products needs to be made more attractive; Because of the poor packaging, Kenyan products are still receiving lower prices than competitors, in particular for the fine beans, prices are very low whereas on the continent prices are better and exports are rising

d) Kenya's exports will increase if the growers and exporters, especially of vegetables and fruits, use a more collective voice as can be clearly seen in Zimbabwe.

The Kenya horticultural industry has grown in the past three years, but things are changing rapidly Kenya might lose out even more to countries like Zimbabwe and Gambia if we do not come together as an industry to address common problems Lets build on our strengths and advantages to ensure our market position. FPEAK can play an important role in representing the industry but the participation of all members is needed please give us your support and input so that FPEAK can better represent your interests

Trade Show Participation

Come to our Luncheon at Serena Hotel at 12.30 p.m. on Thursday 20th January 1994 and learn how to participate in trade shows and why you, as a member, should participate. Slides highlighting Aalsmeer, PMA Show in Washington D.C., Kentex '93, Nairobi Show and the British sponsored Horticultural Show, at Norfolk Hotel. Don't miss out, contact Lorna or Grace at FPEAK for your booking and luncheon cost.

Doing it better

Management Skills

Making decisions is a vital part of every manager's job, whether you're a top executive in the penthouse or a supervisor in the plant Of course, some decisions are tougher than others especially when you're under pressure Here's how to stay cool when the heat is on

- Remember nothing is forever. Few decisions are irrevocable, and a firm decision that can be changed later on is frequently better than no decision at all

- **Delay may be Dangerous.** Face the decision when you have enough time to gather information and select options. If you procrastinate, you may find yourself with fewer alternatives when you're forced to decide.

- **One at a time.** Don't lump big decisions together. Examine them one at a time, and give each one your full attention.

- **Explore all available options.** Don't limit yourself to traditional solutions just because they've been used before. Look for new, innovative, creative approaches.

- **Seek opinions.** Look to your staff and colleagues for ideas and opinions. They work with the problems you're confronting more closely than you, and their insights may give you valuable information.

- **Relax.** Take a few minutes to walk around the block, or just visit a different section of the building. You'll return better able to look at the problems constructively.

- **Practice.** Like everything else, your decision-making skills will improve with practice. Take advantage of opportunities to make low-level decisions; observe how they turn out.

- **Listen to your thoughts.** Personal problems may affect your ability to make sound decisions. Learn to recognize what you're saying to yourself and how you feel about what's going on. Then teach yourself to focus on the immediate situation and deal with other problems at the appropriate time.

Source Freshline

HORTEC '94

In last month's newsletter, we introduced priorities for December 1993. Presumably you have already decided to exhibit (either solo or booth-sharing), begun keeping a show journal, drafted a company summary document, reserved space and scheduled the show onto your calendar. In January, with only two months to the show, your preparatory actions become more urgent, namely;

- Confirm your registration and request show information from the organizer including pre-registration lists of potential exhibitors and visitors, seminar agendas, and exhibition rules and procedures detailing deadlines, presentation tips.

- Make arrangements for booth design; what will the layout be and who will construct it?

- Finalize any show-specific brochure, any other promotional materials required for your booth (product availability calendar, volumes, varieties, etc).

NEXT MONTH: Corporate goals for show, on-site responsibilities, seminar registration.

Courtesy: Keds

Exporting Flowers to the Auction System in The Netherlands

Bloemen Veiling Holland (Flower Auction Holland), with its two auctioning centres Bleiswijk and Naaldwijk, is the second largest flower auction in the world and imports some 500 million stems each year. A daily total of 1,500 buyers make their purchase through its system.

Imports originate in 40 different countries and Flower Auction Holland has a special import department for handling the flowers and supplying the information necessary to become familiar with the auction system.

Countries/regions outside Europe which already feature strongly as sources of supply for Flower Auction are Israel, Kenya, Zimbabwe, Zambia and, less, Latin America.

Those interested in receiving printed information on the subject can write to:

Flower Auction Holland
Att. Import Department
P. O. Box 220
2760 AE Naaldwijk, Netherlands
Fax +31-1740-32-222

Source CBI News Bulletin

The Netherlands
The Quality Standards for Cut Flowers
Regulalation 316/68 - E.E.C

Definition of produce:

These standards shall apply to fresh cut flowers and buds of a kind suitable for bouquets or for ornamental purposes, falling within subhead No. 06.03 of the Harmonised Commodity Description and Coding System (HS)

Quality Requirements

a) Minimum requirements

Produce must have been carefully cut or picked, according to the species, and have reached an appropriate stage of growth.

b) Classification

1. Class I
Produce in this class must be of good quality It must have characteristics of the species, and where appropriate, of the variety (cultivar)
All parts must be:
- whole;
- fresh;
- free of animal or vegetable parasites and from damage caused by such;
- free of residues of pesticides and other extraneous matter affecting the appearance;
- unbruised;
- free of defects of development; for carnations, a split calyx is not considered a defect of development;

However in respect to Standard carnations, flowers with a split calyx must be ringed, put up separately in uniform lots and the packages marked accordingly. The stems must, according to species and variety (cultivar) be rigid and strong enough to support the flowers(s)

2. Class II
This class shall include all produce which does not meet all the requirements of class I.
All parts of the cut flowers must be.
- whole;
- Fresh;
- Free of animal parasites;

The flowers may, however, have the following defects
- slight malformation;
- slight bruising;
- slight damage caused, for example, by disease or by animal parasites;
- weaker, less rigid stems;
- small marks caused by treatment with pesticides;

The permitted defects must not impair the keeping quality, appearance or utility of the product.

Extra Class
Produce which qualifies for Class I without the aid of any quality tolerance may be marked "Extra" However, this classification may not be used for Standard carnations with split calyx
To be continued next month

Source CBI

Introduction - Analytical Services

We introduce East African Assays of P. O Box 15075 Tel. 531218 Fax. No. 541639 Nairobi who offer a wide range of Technical Analytical Services including analysis of ores, minerals and metals, composition analysis of soils, agricultural materials and waters.

Members can contact them at the above address.(D.H.R. Sims, General Manager)

Agricultural Employers Association

The above Association is a union for employers in the agricultural industry, affiliated; to the Federation of Kenya Employers.The Association has Mr. Charles Munene as the man in charge. He is very knowledgeable on Labour Laws and related matters. Membership is by minimal annual subscription. It is advisable for agricultural employers and exporters to contact him at P. O. Box 3216 Tel. 41876 Nakuru.

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Plant Breeding & Genetics Specialist seeks Employment.

We have an application for employment from someone who is specialised in Plant Breeding & Genetics and would like to work in the flower industry and also Fruit & Vegetables members interested should contact the office for further information.

Kenyan Freight promise

The Kenyan Minister of Agriculture has expressed his commitment to reducing the cost of air freight and improving the packaging of fresh produce from Kenya. Recent pressure on the government, however, has as yet proved ineffective.

During a recent visit to Spitalfields Market organised by the Natural Resources Institute (NRI), the Hon Simeon Nyachae MP, in Britain as a guest of the Foreign and Commonwealth Office, said that the problem of transport was being addressed. "The cost is too high for the farmers and this affects buyers", he said. "We put pressure on the Minister of Finance to reduce fuel tax so that airlines could reduce costs, but it has not worked out as we expected. I am surprised at this". He added that the possibility of shipping certain products from the port of Mombasa was being discussed.

Mr. Nyachae said that the Fresh Produce Exporters Association of Kenya had held two major seminars recently to inform producers how to better package their produce. He added that the visit to Spitalfields had been very informative and had shown him that Kenyan produce "needs to get smarter".

The NRI is currently preparing a manual of Procedures for horticultural exports quality assurance in developing countries. The Manual is designed to help exporters establish systems so that produce can be exported in line with the demands of the European market. The Manual for Kenya will be ready for distribution in mid 1994; and further ones are planned for India and the Caribbean.

UPCOMING OVERSEAS EXHIBITIONS FOR 1994

Grower Expo'94, Rosemont, Illinois, USA Jan 8-11th, 1994

Exiflo Morocco'94, Marrakech Morocco Jan 14-16, 1994

British Growers Look Ahead Birmingham U.K. Jan 19-20, 1994

Tropical Plant Industry Exhibition 20-22 Jan Ft. Lauderdale, Florida, USA

NTV, Rai-Amsterdam, The Netherlands Jan 25-28, 1994

Hotmatac et Paysage, Lyson, France Feb 3-5, 1994

Agriflor '94 Mexico City Mexico Feb. 16-18, 1994

IPM Essen, Germary Feb. 18-20, 1994

Aviv '94 Expo Feb. 21-26, 1994 Aviv Packing House Hadera, Israel

Florasur' 94, March 3-6, 1994 Chipiona, Spain

Florex, March 13-17, 1994 Brussels, Belgium

Florantalya 29 March -3 April, 1994 Antalya, Turkey

Fresh Produce Exporter is a monthly publication of the Fresh Produce Exporters' Association of Kenya (FPEAK). Subscriptions are free of charge to FPEAK members. Non-members should contact the FPEAK offices for subscription rates. FPEAK, 4th Floor, Mpaka Plaza, Westlands. Tel. 448297 Fax 448295. P. O. Box 22840. Office Hours: Monday - Friday 8.00 - 1.00 & 2.00 - 5.00. Ms. Lorna Laboso, FPEAK Executive Officer

Fresh Produce Exporter

A Monthly Newsletter of the Fresh Produce Exporters Association

February 1994 Volume 1, Number 10

HORTEC '94 PREPARATION

In January's Newsletter,we suggested priorities including registration and show information, booth design and promotional material preparatio.:

Hopefully, you have decided to exhibit (either solo or booth-sharing), begun keeping a show journal, drafted a company summary document, reserved space and scheduled the show into your calendar. In February, with only a month to the show, your preparatory actions enter the final stages, namely:

- Review: Confirm registration, show information, plan who will participate to represent your firm, how you will staff the booth during all hours of the show while also visiting other exhibitors, attending seminars and meetings.

- Review booth positioning on the show floor, and check the progress of construction of your booth design. Will you use stands or shelves to display produce? Will you use produce which will last the duration or supply fresh produce to replace wilting product? Plan and procure supplemental lighting if you need it.

- Confirm what materials (lighting, shelving, pedestals, corporate names, chairs, table) are available through the show organizer, and which you will provide yourself.

- Finalize and produce the handouts describing your firm, products you feature and quantities/seasons of availability.

- Arrange appointments with participants or visiting buyers. Have you volunteered your facility for a tour or arranged private visits? Now is the time!

HAVE A GREAT HORTEC '94

ACP, EEC discuss dwindling trade

The 12th ACP/EEC Trade Conference was held in Tanzania on 10-12 Jan 1994. The Fresh Produce Exporters Association of Kenya was represented at the Conference by Mrs. Jane Mutiso, Mary Nyachae, Lorna Laboso and officials from KEDS. Few other Kenyan Exporters also attended the Seminar

The delegates were concerned that Africa, Caribbean and Pacific (ACP) countries market share of horticultural exports to the European Economic Community is continuing to be relatively small compared to the total value of trade in the two areas.

It was reported that out of nine million tonnes of fresh fruit and vegetables imported into the EEC in 1990, 96 per cent was fresh fruit and only 10 per cent (920,000 tonnes) was from the ACP states, out of 920,000 tonnes imported by the EEC in 1990 46 per cent came from the Caribbean, 39 per cent from West and Central Africa. Only 15 per cent came from East Africa and the Indian Ocean and Pacific states. If bananas are excluded, only 300,000 tonnes were imported during that year (1990). Which was only 3.3 per cent of total EEC horticulture trade.

And out the 300,000 tonnes sold to EEC, only 40,000 tonnes were vegetables. This is an indication that vegetable exports from the region was still insignificant, the conference was further told. About 70 percent of ACP fruit export to the EEC consists of bananas, pineapples, and citrus. Coconut make up 27 per cent, according to a Tanzanian official . Recent trends in the ACP/EEC trade indicate that non-members were increasingly taking up a bigger share and reducing export share of ACP countries.This is in spite of provisions under the Lome Convention.

Available data indicated that the stiff competition of horticultural products markets in the EEC came from central and southern America and Asian countries. These countries have been able to capture part of the ACP market share due to their better logistics and more developed infrastructure. Also their ability to produce the required quantity and quality.

It was argued in the conference that for Africa to improve her share of the EEC market for horticultural products, it was essential that exporters coped with the competitiveness of the trade. Exporters need to work harder if they are to retain already captured markets and even be able to penetrate new ones. Regularity, continuity of supply and logistics must be vastly improved.

The non-ACP exporters have succeeded to expand their exports through market research identifying consumer preferences, developing new better varieties, expanded production and market promotion.

It was noted that ACP states share in mango market has dropped from 40 per cent in 1981 to 18 per cent in 1990 while Brazil, Mexico, Puerto Rico and Venezuela have expanded their share from 36 to 61 per cent during the period.

Delegates agreed that respective Governments should create an enabling environment for horticultural producers and exporters. Assistance should be in form of finance to exporters so that they can acquire modern equipment and other facilities for their perishable products. Trade Associations need to be set up and supported by their respective Governments as the co-ordinating bodies between Governments and international bodies and producers

Delegates had a opportunity to pay a visit to His Excellency President Ali Hassan Mwinyi who re-assured Tanzania's exporters and producers of horticultural products of Government support as part of the country's effort to diversify exports.

The different ACP representatives reported on what their trade Association had accomplished in recent years. The full report of papers presented will be in the office for your perusal.

The conference ended with visit to a pineapple plantation and a Chili farm in outskirts of Dar-es-salaam.

A full summary and conclusions adopted by the Delegates of conference is attached to this Newsletter.

Horticulture exporters lose S 25m in freight delays

Zimbabwe's Horticultural industry has so far lost more than $25 million because of the national cargo airlines, Affretair's erratic and poor service.
The Horticultural Promotions Council (HPC) said this week horticultural products ferried by Affretair this season had realised 20 per cent less than their potential value. It said only 18 per cent of the airline's departures had been on time a performance which it said was disastrous. A spokesman for HPC said Zimbabwean producers had lost lucrative direct market contracts to Europe. Importers, he said were now sourcing their requirements from Kenya, Uganda and Tanzania due to their more regular airfreight service.

Affretairs's MD Mr. Godfrey Manhambara said the Airlines was experiencing spare parts problems resulting in delayed flights a claim which was dismissed by HPC as charters did not experience the same problem and were on time.

A director of one of the largest importers of summer flowers in Holland. Koos Minck said in a letter the quality of airfreight by Affretair this season had been a disaster. "already this season, one of our direct buyers had cancelled an order of 4 million flowers worth HFL. 1 million due to erratic supply from Zimbabwe. Two other customers are threatening to buy from Kenya if the service not improved" he said.

Another importers from Holland wrote to Danbro Holdings in Zimbabwe saying airfreight out of the country at the moment continues to be "unbelievable"

He said he had negotiated a contract with another importer for the supply of products to a supermarket chain in Norway on a regular basis at a good price.

"Now since we cannot perform and deliver on time we have reneged on the terms of the contract and so he had cancelled" he said.

An import manager with Dutch company said Zimbabwe was not capable of fulfilling the two most important requirements in the flower trade - constant supply and consistent quality.

"If this situation does not change overnight. Zimbabwe can already speak of a loss of the good name that all parties involved have carefully tried to build up" he said in a letter to one of the local companies, Produco.

SourceFin Gazette 16-1-94

ICA Presses on with its "Five-a-Day"

The largest supermarket chain in Sweden is backing a campaign to increase consumption of fresh fruit and vegetables by 50 per cent to the year 2000 because it sees sound commercial opportunities to increase its market share.

ICA, with 35 per cent of total fresh produce sales in Sweden, has adapted the USA's hugely successful "five-a-day" campaign across its 2,800 stores throughout Sweden. The supermarket group has taken evidence from a medical council of scientist and nutritionists which it helped bring together to support claims of the benefits of higher fresh fruit and vegetables consumption. Information is distributed in-store at point-of-sale as well in press and TV advertising.

"The public awareness is astonishing", ICA Frukt & Gront AB managing director Goran Donelius told Eurofruit Magazine. Polls taken last October showing 75 per cent of all Swedes have seen or heard of the campaign, with high awareness rates of 83 per cent among women and young people. Seventy per cent of those polled responded positively to the campaign while 10 per cent of interviewees have increased their consumption of fresh fruit and vegetables.

The time has come.......
for Sweden to adopt the "Five-a-day" (Fem om dan) concept for better health.

In association with scientists, doctors and nutritionists, ICA Frukt & Gront AB and ICA supermarkets throughout Sweden have started a campaign to encourage people to eat more fresh fruit and vegetables.

Today Science shows that an increased consumption of fresh fruit and vegetables is good for your health and well being.

The "Five-a-day" clock is a timely reminder of how you can eat your way to a healthier life.

Source Eurofruit

Future World Market Static

It is unlikely that any of the Key world markets for fruit and vegetables will see significant growth in years to come, although producers are taking action to counter-act this state of affairs through investment in growing techniques, storage facilities and distribution methods.

The latest Market Direction report from Euromonitor say that global fresh produce markets are "essentially stable and mature" although they can be unpredictable as a result of changes in climatic conditions which affect harvest, the seasonality of produce and fluctuations in import and export volumes.

In value terms, the UK market for fruit and vegetables is showing slow growth - in 1992 it was worth £5.1bn, an increase of less than one per cent on 1991 levels. The USA experienced the biggest growth of the countries studied at 9.2 per cent.

Of seven Key markets studied (the U.K., France and Japan), France and Japan are forecast to decline at constant prices in the five years 1992-1997 while the UK is expected to see a two per cent growth. The biggest growth - 27 per cent is forecast in the USA and the report indicates long term stagnation in Germany and Spain.

In a bid to introduce a degree of stability into the equation, producers are investing heavily. According to Euromonitor, they aim to increase year-round supply and reduce the uncertainty in trade caused by the effects of the weather. The report reiterates the importance of a conclusion to the GATT talks in order to stabilise international trade in fresh produce.

Greater consumer interest in exotic fruit is predicted over years to come and is expected to put pressure on traditional fruit lines, although fruit in general is seeing a rise in consumption. Convenient pre-packed produce is described as a fast-developing niche market, but the future of organic produce is, says the report somewhat dubious as a result of high prices and lack of variety.

With the exception of Germany, potatoes are coming under pressure from other Carbohydrate sources such as rice and pasta in all key markets. However, in the UK potatoes remain the leading commodity in terms of volume sales. Apples lead the way in the fruit sector in all countries bar Spain where citrus dominates. Bananas play second fiddle.

Fresh Produce Journal

Quality Standard for cut Flowers Regulations 316/68 E.E.C.

(Continued from last month)

2. Sizing

For cut flowers, sizing must comply at least with the following scale:-

Code	Length	
0	Less than 5 centimetres or flowers marketed without stems.	
5	5 - 10	centimetres
10	10 - 15	"
15	15 - 20	"
20	20 - 30	"
30	30 - 40	"
40	40 - 50	"
50	50 - 60	"
60	60 - 80	"
80	80 - 100	"
100.	100- 120	"
120	More than 120 centimetres	

These lengths include the flower head.

The difference per unit presentation (bunch, bouquet, box, and the like) between the maximum and minimum lengths of the flowers in the unit may not exceed:

- 2.5 centimetres for flowers in codes 15 and below
- 5.0 centimetres for flowers in codes 20 to 50 (inclusive)
- 10.0 centimetres for flowers in codes 60 and above.

This difference may be doubled for flowers presented in fan shape. For chrysanthemums with large flowers presented in fan shape, this difference may go up to 20 centimetres for flowers in codes 20 to 50 (inclusive).

The size scale and the uniform lengths set out above are not applicable to mimosa. The minimum length for branches of mimosa shall be fixed at 20 centimetres. However, bundles and bouquets composed exclusively of small sprigs of a length less than 20 centimetres may be permitted subject to the words "short stem" or an equivalent term being marked on the package.

Next month Quality Tolerances, Packaging and Presentation Look out!!!!

EMPLOYMENT

Agriculturalist

We have received an application letter from a qualified Agrononomist with experience in Fresh Fruit and Vegetables. Members looking for a field Manager should contact the office for further details

SEEDS FOR SALE

HORTITECH (K) LTD. PRODUCERS OF SEEDS

We have received information that Hortitech (K) Ltd. have available the following seeds and their prices at their Stores.

1.	Monel	Shs. 395.00 - 5%
2.	Bobby Beans Bronco	Shs. 350.00 - 5%
3.	Mangetout	Shs. 340.00 - 5%

Please contact them at P. O. Box 520 Naivasha Tel. (0311) 20264

Dutch Development Bank (FMO'S) Assistance to Cut Flower Growers

ATTENTION FLOWER GROWER!!!!!!!

Attached to this Newsletter is a self explanatory letter to the Chairman of Fresh Produce Exporters Association on what the Dutch Development Bank can do for you. Please write to them direct. Don't miss the *golden chance.*

UPCOMING OVERSEAS EXHIBITIONS FOR 1994

International Plant Messe (IPM): Feb. 18-20. This international trade fair forcusses on plants, horticultural equipment and florists' requisites. Specific product groups include flowing pot plants, green plants, vegetables, tree-nursery plants, shrubs, cut flowers, sales promoting products, earths, pests and substrate young plants, seeds, greenhouse construction, heating systems, machinery and equipment, plant protection, fertilizers, irrigation and dehydration plants, cooling, transportation and lifting equipment, commercial vehicles and trailers, gardening equipment, shop design and interior equipment. Nearly 1000 exhibitors and over 20,000 visitors are expected at this fair which covers over 20,000 sqm .of space. Open for trade only. Held in Essen, Germany, Contact: Messe Essen GmbH, Postfach 1001 65 , 4300 Essen 1, Tel. 49-02-01-72-440, Fax 49-02-01-72-44-448.

Milfor Feb. 18-20 : This annual show features cut-flower and ornamental plant production, horticultural equipment and accessories and is for trade only. Over 39,000 visitors and over 1,000 exhibitors are expected in the Lacchiarella Pavilion which covers 33,000 sqm of space. Held in Milan, Italy contact Elle.PI.Elle S.r.L., Via Foppa, 7 20144 Milan, Tel. 39-2- 498-7841, Fax 39-2-481-4852

Food and Drink Expo 94 March 20-23 1994 London. A new biannual food fair, International Food and Drink Expo is expected to be launched in 1994, and will combine four fairs: Food and Drink Fair; Catering Fair, Fresh Produce Fair; and Food Services Fair. This Expo will provide a commercial forum where exhibitors and visitors from both catering and retail can network. over 800 international exhibitors and 30,000 attendees are expected. Contact Sascha Lobkowicz, Blenheim Group PLC, Blenheim House, 630 Chiswick High Road, London W4 5BG, U.K. Tel. 081-742-2828, 081-747-3856.

Royal Horticultural Society's Great Spring Show (Chelsea Flower Show) May 24-27 1994
Held annually, this show attracts 170,000 attendees (approximately 10,000 from overseas) and over 700 exhibitors. It features anything to do with gardens; there are full-size gardens and waterfall, window box competitions, dried flower exhibits, terra cotta pots, as well as new technology such as fertilizers. He at the Royal Hospital in Chelsea, London, England. Contact: Royal Horticultural Society, 80 Vincent Square, London SWIP 2pe. Tel. 71-630-7422, Fax 71-23-9525

Floral Marketing Association Convention and Super Flora Show: June 16-18 1994 This annual show which attracts over 2,000 visitors and over 280 exhibitors, attracts many supermarket representatives and is for trade only. Featured are potted and blooming plants, packaging materials, and fertilizers. Held in Phoenix, Arizona. Contact: Floral Marketing Association, Tel. 602-482-6705, Fax 602-482-1-1011

More trade shows next month

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Fresh Produce Exporter

A Monthly Newsletter of the Fresh Produce Exporters Association

March 1994

Volume 1, Number 1

HORTEC '94

Hortec 94 takes place on the 16th to the 19th March 1994 at the Kenya International Conference Centre. We have very few members exhibiting their own capacity however we would encourage members to visit the Exhibition there will be opportunities to meet overseas buyers, view demonstrations by input suppliers and participate in free seminars (see "Programme" below). Here is a list of exhibitors and Seminars that will take place during the Exhibition. There are very interesting topics which directly concern the export of fresh produce so lets see you there. Be sure to stop by the FPEAK booth!

List of Confirmed Exhibitors

ABN-AMRO Bank Kenya, Main Sponsor;
Airlink Ltd., Kenya;
Allpack Industries, Kenya;
Amiran (K) Ltd., Kenya;
Anton Verbeek Rozen B.V./Terranigra, Holland;
Banque Indosuez, Kenya;
Bayer East Africa Ltd.
Flower Auction Holland, Holland;
Booth Manufacturing Africa Ltd., Kenya;
De Ruiter's New Roses International, Holland;
Dimken Kenya Limited, Kenya;
Dohdia Packaging Limited, Kenya;
East African Packaging Industries Ltd., Kenya;
Farm Machinery Distributors, Kenya;
Fresh Produce Exporters Association of Kenya, Kenya;
Geerlofs Refrigeration B.V., Holland
Green Zone
Hardi Kenya Ltd., Kenya
Hilverda B.V., Holland;
Homegrown Growers & Exporters, Kenya;
Horticultural Nurseries Ltd., Kenya
Horticultural Crops Development Authority, Kenya;
Interplant, Holland;
J. J. Oudendijk Bloemen, Holland;
Kay Aviation Ltd / Export Bank of Africa, Kenya
KLM, Royal Dutch Airlines, Kenya;
Lek enzonen B.V. Holland;
Noorden Roses, Kenya;
Norsk Hydro (U.K) Ltd./Chemagro, Kenya
Orbit Chemical Industries Limited, Kenya;
Remco Ltd., Kenya
Rhone Poulenc Kenya Ltd. Kenya;
Rolloos Sorensen, Holland;
Royal Sluis Kenya;
Selecta Klemm Germany;
Stockman Rozen B.V. Holland;
Straathof's Group PTY Ltd., South Africa;
Thomas White Batteries/Sanyati, Kenya;
United Flower Organisation, Holland;
Van Staaveren B.V. Holland
West-Stek B.V. Holland
Zambia Export Growers Association Zambia

HORTEC '94
Seminar Programme

Wednesday 16th March

10.00 a.m. "How to get the most of an International Trade Show" Mr. Paul Guenette, Chief of Party, Kenya Export Development Support

11.30 a.m. "The Horticultural Industry In Kenya" Mrs. Lucy Waithaka, General Manager Operations Horticultural Crops Development Authority of Kenya and Mr. David Gray, Chairman, Marketing Committee FPEAK (Fresh Produce Exporters Association of Kenya)

1 .00 p.m. "From Airlines to Careline" Mr. W. C. Aardema, Transport Manager, Perishable Cargo, KLM Airlines

2.30 p.m. "The Netherlands Pesticide Policy - in a Kenya Context" Mr. Chris Mann, The Netherlands Ministry of Agriculture

4 p.m. "Alstroemeria, Carnations, Limonium & Rights of Growers" Mr. Van Andel, Van Staaveren B.V.

Thursday 17th March

10.00 a.m. "Financing New Fresh Horticultural Ventures in Kenya" Mr. Chris Shaw, Flower Grower, Limuru

11.30 a.m. "Finance for Export"
Mrs. Anne Mutahi, Marketing Manager, ABN AMRO Bank

1.00 p.m."Export Horticultural Packaging from East Africa"Mr. Ian Cameron, East African Packaging Industry Ltd.

2.30 p.m. "Quality as a Marketing Instrument"
Flower Auction Holland

4.00 p.m. S.G.S. "Basic Guidelines on Inspection Services for the Horticultural Industry"
Mr. Lawrence Lusiolo -Quality Manager S.G.S.
Mr. Dominic Mureithi - Laboratory Manager S.G.S.

Computer Software NowAvailable ForAgricultural Producers And Exporters

Software International Ltd. (SIL) has successfully computerised TROPIFLORA of Tigoni, Limuru, a producer and exporter of Horticultural products.

The programmes include Production Control, Invoicing with full export documentation and Payroll with Musterroll. Next to be implemented are Stock Control and Accounting.

Production Control consist of modules for planting, harvesting, use of fertilizer and other chemicals, which plays an important role in monitoring production costs.

Invoicing takes cares of all aspects of export documentation. Several price lists for local and foreign customers and auctions are possible.

For more information contact SIL at Box 54355, Nairobi or Fax No. 56 97 42. You may also get reference about the system direct from Tropiflora, telephone No. 0154 - 40743 (Mr. Krasensky).

Introduction Of Airfreight Services Nairobi/Dubai

We introduce to members Scan Forwarders Kenya Ltd of P. O. Box 18766 Tel. 215977 Fax. No. 214965 agent for Branton Airways who Charter planes to the Middle East.

Their Aircraft AN-12 is scheduled to commence its first flight from 1st March 1994 operating on one frequency per week routing (Entebbe, Nairobi, Djibouti, Dubai)

They inform us they that their cargo operation is tailored specifically for the Horticultural produce exporters in East African Region to have reliable services to the Middle East and direct connection from Entebbe, Nairobi, Djibouti, which have potential market.

The aircraft has 17 pallets position indicative payload for different routes are as follows:-

Entebbe -	Djibouti	- Dubai	- 16,000 Kgs.Net
Nairobi -	Djibouti	- Dubai	- 6,000 Kgs. Net
Entebbe -	Djibouti		- 16,000 Kgs..Net

The approximate rates per Kg. per route are as follows:-

Nairobi -	Djibouti	- 1.00 USD per kg.
Nairobi -	Dubai	- 0.90 USD per kg.
Entebbe -	Dubai	- 1.00 USD per kg.

Member who are interested should contact Hillary Karei their appointed Agent at the above address directly.

Talking to Hillary a week ago, we were told that the Aircraft went empty with only two tons of produce. What a pity at a time when space is impossible to find.

Middle East Contacts

At the office, we have lots of fresh contacts to the Middle East. If you come by the office, you may find a new buyer. Please help me to help you, LORNA

We also have fresh information on major buyers in the European Market for Fresh Fruits and Vegetables. Please visit the office for more information.

Know Who's Who

During a session on "Nonmanipulative Selling" at the PMA Convention & Exposition, author Tony **Alessandra** noted four common personality styles in today's business world.

Directors's key desires are results and having tasks done now. They work best under pressure and deadlines. Directors play to win and make great administrators. The key problem with directors is they are the worse listeners.

Thinkers specialize in order, accuracy, precision. They are planners and are inventive people. The key problem with thinkers is they are not good with deadlines.

Relators are team players and do not like conflict. They are diplomatic. However, their feelings get hurt very easily.

Socializers like fun, excitement, challenge, and recognition. Their problem is that they ignore details.

He suggested four strategies when dealing with these personality styles. If you are doing business with a relator, make it friendly, with thinkers, make it precise; with directors, make it fast; and with socializers make it fun and exciting.

Good Sales Skills Ensure Customer Satisfaction.

To ensure customers satisfaction, get buyers actively involved during a sale by asking questions to determine their needs. Then treat them the way they want to be treated, said D. Tony Alessandra,

The message in his speech, "Non-Manipulative Selling" was that getting the customers involved in buying is crucial to successful business relationships. Getting customers and keeping customers are equal important in today's competitive global marketplace.

He contents that traditional sales people want to pitch, not to understand customer needs, and not to relate the relevant aspects of the product to those needs.

The non-manipulative approach to selling focuses predominantly on information gathering and service.

Tony said "Any salesperson that tries to prescribe a solution before understanding the customer's needs from the customer's point of view is engaging in sales malpractice." In general, asking questions before trying to sell a solution is important and asking broad, open-ended questions first helps the seller determine what the customers needs

Tony said two decisions must be made before asking questions of the customers.

- Is the person I'm talking to more open or more self-contained?
- Is the person more direct or indirect ?

These two decisions will help the seller adapt to the buyer.

He described characteristics of self-contained people and open people and the three channels of communications they use. The three channels are verbal, the words they use, vocal, the intonation of their words; and the visual, which is the body language.

- Self-contained people:
  are more guarded, meaning they do not show or share their feelings or thoughts readily or willingly; use limited or controlled body language;

  tend to keep a distance physically and mentally; mentally, they share information only on a need-to know basis; and emphasize the verbal channel of communication.

- Open people:

  Share their thoughts;
  use more-animated body language;
  use more vocal intonations; and emphasize the vocal and visual channels of communication.

Tony said indirect people are slower-paced, less-assertive, patient, and cautious. Their drive is not to be wrong and they tend to focus on quality of work.

Direct people are faster-paced, more assertive, impatient, and spontaneous. Their driving need is to accomplish as much as possible, and they tend to focus on quantity.

Quality Standards for cut flowers Regulations 316/68 Con'td

Quality tolerances shall be permitted in each unit of presentation as follows:-

1. Class I
   Five per cent of the cut flowers may have slight defects, on condition that the uniformity of the flowers in a unit of presentation is not affected.

2. Class II
   Ten per cent of the cut flowers may vary from the requirements of the class. Half of this percentage may have been attacked by parasites of animal or vegetable origin. The defects in question must not impair the utility of the products.

1.1.6 Packaging and presentation

a. Presentation (EC regulation 802/71):
" A unit of presentation (bunch, bouquet, box, and the like) must consist of 55, 10 or a multiple of 10 pieces

However, this rule does not apply to:
1. flowers normally sold singly;
2. flowers normally sold by weight;
3. flowers for which seller and buyer agree expressly to derogate from the provisions concerning the number of flowers in a unit of presentation. This derogation is admissible solely for transaction outside wholesale markets on condition that:

- the goods are the subject of a direct sale, based on a fixed selling price per unit of presentation, at wholesale level to a retailer or a person acting on behalf of a retailer.
- the goods are accompanied by a bill, delivery note or similar document showing the above mentioned selling price;
- the unit of presentation is in the packaging required by the buyer for the ultimate purchaser. This packaging must be such as to permit identification of the goods.

b. Uniformity
   Each unit of presentation (bunch, bouquet, box, and the like), must contain flowers of the same genus, species or variety (cultivar) and of the same quality class, and must have reached the same stage

of development. Mixtures of flowers or mixtures of flowers with foliage of different genus, species or variety (cultivar) are, however, permitted so long as products of the same quality class are used and that they are a appropriately marked.

. Packaging must protect the produce adequately. Paper or other materials in direct contact with the cut flowers must be new.

to be continued next month

Soure: CBI

IFCO Passes packaging Milestone

Ten million returnable containers now in use

IFCO broke the 10 million container mark in late November with its latest delivery of returnable containers to an exporter of fresh fruit and vegetables in the Netherlands, now its third largest market.

IFCO, the International Fruit Container Organisation, is marketing a returnable packaging system for fresh Fruit and vegetables manufactured Licence in seven countries. Returnable packaging systems have been introduced in Germany because of its packaging laws. IFCO developed together with major food retailers, is now used day-to-day by 10 of Germany's largest supermarket chains.

Negotiations to supply IFCO containers are also underway with supermarkets in the UK, Belgium and Switzerland, IFCO sales manager Michael W. Dach told Eurofruit Magazine.

Fresh Fruit and Vegetable suppliers in Germany, Italy and the Benelux countries have been the largest users of the IFCO system so far. Spanish citrus exporters are using the system for the second year. They have also been joined by third country exporters in Brazil, Morocco and Israel. More on this next month!!!!!

Source Eurofruit

Annual General Meeting

The Annual General Meeting takes places on 27th April 1994 at a Venue to be communicated to you in due course. We have sent you a copy of both the old Consitution and the proposed amendments to the contitution for your verification before the Annual General Meeting. We shall also be sending you a Nomination form in a week or so for those who are interested in joining the board.. The conditions under which one may join the Board are stipulated in the Constitution.

Please fill it and return or fax it to the office.

Employment

Agriculturalist Consultant

We have an application for Consultancy from an experienced Agriculturalist specialised in micro-propagation, disease indexing,and on-going aid to breeding within both Horticultural and Floricultural industry. Anyone interested should contact the office for C.V.

Below are the 1992/93 Fresh Produce Export Statistics.

Fresh Produce export tonnage in 1993 was up 8.3% over 1992, totalling 62,107 metric tons as compared to 57,363 tons a year ago

Category	Tons 1992	Tons 1993	%change
Cut Flowers	23,635.9	19,806.5	+19.3%
French Beansh	14,467.5	15,196.2	- 4.8%
All Asian Vegetables*	9,095.4	9,444.7	- 3.7%
Avocadoes	6,675.7	6,310.0	+ 5.8%
Mangoes	2,850.2	2,348.9	+21.3%
All Others	5,382.8	4,256.8	+26.5%
Totals	62,107.2 tons	57363.1	+ 8.3 %

* Includes: capsicum, okra, aubergine, karella, mooli, dudhi, chilies, valore, guwar and other Asain vegetable

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Volume 4 No. 1

MARCH 1994

THE HORTICULTURAL *News*

Serving the Horticultural Industry

HCDA AT THE HORTEC '94

The Horticultural Crops Development Authority will portray its developmental and promotional roles, demonstrate the emerging technologies that are geared towards improving the export performance, farmers returns, source and Key information for growers, exporters, importers, investors and other agencies.

To the importers, HCDA will display a diversity of the available high quality fresh and processed horticultural products.

A team of specialiased officers will be in attendance to explain to visitors the services the Authority offers in all the relevant fields.

Come All And Learn From The Experts!

Briefcase Exporters - *Who Are They?*

There has been no marked improvement in quality of green beans and snow peas since our last issue of this newsletter. Once again growers are requested to use the right seed, follow good husbandry practices and watch the MRLs. The exporter on the other hand is expected to watch the grading of beans to minimise the issue of sub-standard produce.

'Briefcase' exporters who export sub-standard produce along side the good produce are causing great concern. Importers could play a big role if they stop importing from' brief case exporters' who offer low prices to importers for the produce.

Inspection services at the point of exit could play a major role in discouraging 'briefcase exporters' by adopting stringent inspection procedures

SPOT NEWS

Good Quality imported Horticultural seeds are now available f[illegible]

Monel, Bronco, Mangetout, Fresno, Long Chillies, Water Melons, Eggplant (Black Beauty), Okra Pusa, Sweet Corn, Naitec, Statice, Delphinium, Carthamus. All These at:

Hortitec (K) Ltd,
P.O. Box 520,
Naivasha

- Latest market information confirm an improved market for quality French Beans! Make use of this opportunity by only shipping the BEST.
- Kenyan Flowers gained popularity in Italy and Southern Europe during MILFLOR Trade Fair in Italy held between 18th-20th February, 1994. Thirty (30) business contacts were established for Kenyan Flowers!
- Mangoes: With the end of 'Ramadhan' decline in the shipments of mangoes is expected. Maintain your position by only shipping the 'BEST' quality.

Horticultural Exports Surging Ahead

Fresh produce export tonnage in 1993 was up 8.3% over 1992, totalling 62,107 metric tons as compared to 57,363 tons a year ago.

Cut Flowers: These now represent 38 % of the tonnage of all fresh fruits, vegetables and cut flower exports from Kenya. The increase in cut-flower exports in 1993 contributes over 80% of the 1993 overall tonnage increase (4,744 tons).

Category	Tons'93	Tons'92	% Change
Cut Flowers	23,645.7	19,806.5	+19.4%
French Beans	14,475.8	15,196.2	-4.7%
All Asian Veg.	9,095.4	9,444.7	-3.7%
Avocados	6,675.7	6,310.0	+5.8%
Mangoes	2,850.2	2,348.9	+21.3%
All Others	5,382.8	4,256.8	+26.5%
TOTALS	62,128.8	57,363.1	+8.3%

Product Group Movements:

Cut flowers, the leading product group, realized an increased tonnage of 19% over 1992. French Bean export tonnage declined by nearly 5% as did Asian Vegetables (3.7%). Avocados increased by nearly 6% and Mangoes increased by over 21%.

Cut flowers are again the brightest spot in the report, representing the largest real tonnage increase (3,829) as well as a hefty percentage increase. (19%) which significantly contributed to overall horticultural export growth of 8.3%. Indeed, if cut-flower tonnage is removed from the 1993 vs. 1992 comparison, total fresh produce exports could have grown by less than 2.5%. The peak months were January (3,098 tons) and November (3,079 tons) and in 1993, Kenya's monthly cut-flower exports exceeded 1,000 tons during nine of the 12 months, from January through May and from September through December. Nearly two-thirds (62%) of Kenyan cut flower exports went to Holland, with Germany in second place taking a 22% share.

French Beans: Are the second largest product group, realized a decline of nearly 5%, a disturbing perhaps not totally unexpected move, good quality control controversies of the past year, and increased Northwest African competition; the decline in total tonnage is likely partially mitigated in value added prepacks. France remains Kenya's most important export market, receiving 40% of Kenya's french beans during 1993, but the U.K is a close second, receiving 39% . France was the leading importer of Kenya's green beans during five of the first six months of the year, while during the second half of the year, French beans export to the U.K. actually surpassed those to France four of six times. The decline in fresh Green Beans was more than compensated as a major increase in the export of canned and frozen beans

All Asian Vegetables: They increased moderately during the first half of 1993 but the 1993 annual exports represent a slight decline (-3.7%). Chillies led this group with 2,183 tons, though this represents a 9% decline over last year. Okra was the bright spot here, at 2,075 tons, an increase of 32 % over last year! Aubergine (1,619 tons and up 18%) and Karella (1,499 tons but down 16%) round out the "big four." These four products comprise 81% of the All Asian Vegetables tonnage exported in 1993. Over 87% of All Asian Vegetables were exported to the U.K.

Avocados and Mangoes: Another bright spot were Avocados, which realised solid growth of nearly 6%, growing from 6,310 tons to 6,676 tons. Avocado exports to France accounted for 49% of avocado exports. Mangoes did even better, their exports grew by 21.3% to 2,850 tons in 1993. Mango exports to the Middle East jumped in 1993 accounting for much of this increase. Both avocados and mangoes should show continued growth as sea-freight technology is mastered, and farmers embark on a spray programme.

In the category of All Others the largest increase was on miscellaneous vegetables which recorded an increase of 152.1% targeted maily to the U.K. market. This comprised of mainly prepacks of mixed baby vegetables and asparagus. Bobby beans and Passion Fruit increased by 14.4 and 16.8 percent respectively.

The Nutfields Products

In 1975/76 the Kenya Nut Company developed a unique system of processing macadamia nuts produced by farmers. Initially the company processed raw macadamia kernels which were exported into Japan. At the same time the company did intensive research in post-harvest and pre-processing handling of the in-shell nuts as a means of enhancing better kernel/shell recovery. This culminated in necessity to develop high value added products.

In mid-eighties, the company acquired sophisticated machinery and equipment and established new methods of grading, roasting and packing finished products under the NUTFIELDS' brand. This is the Trademark whose reputation has enabled the Kenya Macadamia to be well accepted internationally. In addition to the chocolate coated and honey roasted macadamia nuts KNC also exports attractively packed cashew-nuts.

With increased raw nut production more Nutfield products will be developed to meet the stringent export demand. Below are export statistics for the last five years.

Value Of Nut Exports
(and other products)

1989	478,0000	M/tons	Kshs. 70,968,07
1990	402,000	"	Kshs. 71,187,202
1991	493,000	"	Kshs.102,763,162
1992	700,000	"	Kshs.186,410,315
1993	780,000	"	Kshs.270,000,000

The 'NUTFIELDS' are hygienically produced by:

Kenya Nut Company Limited
P.O. Box 52727
Nairobi
Tel : (02) 762554
Fax No: (02) 762434

Quality Seeds

Simpson and Whitelaw Limited

Simpson and Whitelaw was incorporated in 1960, in conjunction with Kirolhoff East Africa Limited its parent Company, has imported and marketed vegetable and flower seeds and other garden requisites for a number of years.

Simpson and Whitelaw was taken over by the Kenya Seed Company in 1978/9 during the preparatory discussion on the formation of Horti Seed Kenya Limited. Although these companies are separately registered the management is jointly organized with each company forming the production and marketing division of a joint organization.

Vegetable seeds are offered to the full spectrum of the market from packets for the home garden grower to bulk supplies for large commercial growers producing for the fresh export market. Apart from the usual pictorials packet trade seeds of most species are offered in 25,50,100, 250, 500 and 1,000 gram tins.

Best Quality Horticultural Seeds Available.

(a) Conventional Varieties of the following seeds:

i Cabbage - Copenhagen Market, Price Drum- head, Sugar Loaf etc.
ii Onion - Red Creole, Bombay Red etc.
iii Tomatoes - Money Maker, Cal-J, Roma, Marglobe etc.
iv. Carrots - Nantes and Chantenary

(b) Hybrids of the following available:
i Cabbages - Gloria FI, Marcanta F1
ii Tomato - Kenton - A Kenya Seed bred Hybrid of tomato. Resistant to Bacterial wilt, Tomato Mosaic virus and Nematodes; extremely heat tolerant. Yield average 40t/ ha. Can be used in salads, soups, processing etc.

(c) Indigenous Vegetable seeds - Now available
i. Spider plant (saget, saka, saga)
ii. Black Nightshade (Managu, Sucha)
iii. Crotolaria (Miro)
iv. Sunhemp (Murere)
v. Amaranthus (Terere)

Also available is Cowpeas - Kenkunde - leafy tender and tasty vegetable. All From :

Kenya Seed Company - Simlaw
P.O. Box 40042,
Nairobi.
Tel: 215066/7/83
Fax : 332219

Key Points Towards Avoiding Disease and Pest Problems in the Production of Horticultural Crops

Crop protection is an essential practice aimed at making healthy wholesome produce possible. And for horticultural produce, the final product should be of premium quality, free from blemishes and pest damage. It is for this reason that use of agricultural pesticides become unavoidable.

Although there is an increased demand for food for the ever growing population, there is also a concerted awareness in safe handling and use of crop protection products. Increased public concern over pesticide residues in food stuff has brought about the development of strict registrations which have to be adhered to. The most significant one to the horticultural industry is the Maximum Residue Limits (MRLs) which are set to ensure the rate of application are at the minimum consistency with effective pest and disease control.

Despite the significant note played by pesticide applications in disease and pest control, it's advisable to combine other control strategies to reduce complete reliance on pesticide and also reduce their applications. Such strategies which are applicable to horticulture include use of resistance varieties, use of certified seeds/planting materials and cultural practices such as crop rotation, fallowing, use of fertilizers/manure, field hygine and early planting etc.

Use of Certified Seeds/Planting Materials and Resistant Varieties

A lot of work has been done towards breeding particular crop varieties resistant to specific major diseases and pests. This information is readily available and should be made use of. Most known crop varieties are normally produced under strict field inspection and certification and tested for quality especially in regard to germinability. In Kenya, this task is done under National Seed Quality Control Stations to ensure quality and varietal purity is obtained. It's therefore very important to buy only such certified seed from registered companies and their agents. Such seeds/planting materials are pre-treated against soil pests/diseases, have high germination rates and hence chances of survival.

Cultural Practices

Farmers tend to ignore such simple cultural practices such as crop rotation, fallowing, early planting. Such practices keep the diseases/pests away from the plants as the plants are grown either when the disease/pest is not available or where a build up is likely to occur.

Fertilised plants tend to be more resistant to disease/pest attack than weak plants. Proper nutrition in addition to provision of sufficient moisture is therefore necessary to maintain plant vigour and impart some resistance. Field hygiene should also be practiced where all dead plants are removed from the field. Selective removal or prunning of diseased plants or plant parts which can serve as sources of infection is also useful. All such plants and plant parts should be destroyed.

The abovementioned practices are just part of the widely known crop protection strategies which when put into practice can reduce the use of pesticides. The important consideration when adopting them should be their low cost as they are economical and also show concern for the enviornment. All in all, some limited use of pesticides in horticulture might be unavoidable if we are to meet the stringent export quality requirements.

News from H.C.D.A.

Seminars and Exhibitions

1. Post-harvest Horticulture Training for farmers at farm level. Two courses held in Meru, 9th to 10th February 1994, Nakuru, 15th-16th February, 1994 respectively under, the auspices of HCDA. The course components were:

(i) Importance of chemical use in horticultural crop production.
- Types of chemicals
- Importance of applying the recommended chemical dose.
- Chemical preparation and application techniques.
- Safety precautions in the use of chemicals - Maximum residue levels and pre-harvest intervals.

(ii) Post-harvest handling and hygiene
- Maturity indices.
- Harvesting methods and equipments
- Time of harvest
- Sorting and grading
- Post-harvest treatments
- Packaging and prepacks
- Hygiene and Field transport.

(iii)Field transport

These courses were aimed at imparting skills to farmers to enable them to improve the quality of horticultural produce destined for export markets. In particular, emphasis was placed on teaching farmers to use recommended and registered chemicals at the correct dosages and to observe recommended pre-harvest intervals(P.H.I.'s) in order to minimise residues in produce.This is in line with the EEC regulations on Maximum ResidueLimits (MRLs).

2. In an effort to further develop the marketing of horticultural produce in the international markets bearing in mind that air cargo is expensive and scarce, the H.C.D.A. in collaboration with Protrade/GTZ (German Body for Technical Cooporation), organised a second seminar on Sea-freighting using controlled atmosphere containers held on 3rd and 4th February, 1994 at Nairobi, Serena Hotel and 9th and 10th February, at Mombasa Beach Hotel.The main speakers were a group of experienced German consultants and business experts who have handled the transportation of horticultural produce.The participants were exporters involved in sea transportation of produce, KARI, Universities, Clearing and Forwading agents,Packaging Manufacturers, Farmers, Government and Diplomatic officials , KEDS and HCDA officials.

3. The International Green Week was held in Berlin, Germany from 1?th -23rd January 1994. The exhibition was a show case for Kenyan products, and geared to increase market share of Kenyan fruits, vegetables and flowers in Germany. H.C.D.A. participated.

4. The MILFLOR cutflower exhibition was held in Milan, Italy from 18th -20th February, 1994. The objective of the exhibition was to increase Kenya's market share of cutflowers in Italy and Southern Europe. The following exporters exhibited at the trade fair; Karen Roses, Fairview Flora, Sian Roses Bobs Harries, Red Hill Blooms, Kibee Gardens, Sher Agencies,Highview Farm, and Cianda Flowers, H.C.D.A. was represented by Mrs Karen Osoro.

List Of Banned /Restricted Pesticides in Kenya

1.	DIBROMOCHLOROPROPRANE	- Soil fumigant, banned
2	ETHYLENEDIBROMIDE	- Soil fumigant, banned
3.	2,4,5,-T	- herbicide, banned
4.	CHLORDIMEFORM	- insecticide, banned
5.	mixture of isomers of Hexachlorocyclohexane (HCH)	- banned
6.	LINDANE (pure gamma - BHC (HCH)	- insecticide, restricted use for seed dressing only.
7.	CHLORDANE	- insecticide, banned
8.	HEPTACHLOR	- insecticide, banned
9.	ENDRIN	- insecticide,banned
10.	ALDRIN)	- insecticide, restricted for termite
11.	DIELDRIN)	- control in building industry
12	TOXAPHENE(CAMPHECHLOR)	- insecticide, banned
13.	DDT	- restricted use to Public Health only for mosquito control in mosquito breeding ground- banned for agricultural use.
14.	CAPTAFOL	- fungicide, banned - 1989.
15.	PARATHION Methyl and PARATHION Ethyl	- insecticides, banned - 1988
16.	DAMINOZIDE (ALAR)	- plant growth regulator for use on fruits - voluntary withdrawn by the company
17.	CYHEXATIN	- Acaricide-voluntary withdrawn by the company

SOURCE - Pest Control Products Board.

The Horticultural News is a quarterly publication of the Horticultural Crops Development Authority of Kenya (HCDA) Subscriptions are free of charge to farmers, exporters, relevant ministries, extension workers of the Ministry of Agriculture and HCDA, Foreign Embassies in Kenya, and the Kenya embassies abroad
Horticultural Crops Development Authority ,P.O. Box 42601 Nairobi Kenya, Uniafric House, 4th Floor, Koinange Street, Tel 337331/2/3 & 333150 Telex 22687 HORCRODEV Fax: 228386.

Annex 3

KEDS
Norfolk Serie

PRESS RELEASE

REPUBLIC OF KENYA

EXCHANGE CONTROL REFORMS

EXCHANGE CONTROL REFORMS

I am taking this opportunity today to announce further reforms on exchange controls in line with the Government's commitment of eventually removing all remaining exchange controls as announced by His Excellency The President in his Jamhuri Day speech on 12th December, 1993.

It will be recalled that I announced the last changes on exchange controls on 15th December, 1993 in line with the President's directive. The new measures which take effect immediately are:

1. EXPORT RETENTION ACCOUNTS

Export retention is to be increased from 50% to 100%.

The requirement to surrender the export proceeds after 90 days remains. Restrictions on the use of the funds will remain unchanged for the time being.

2. FOREIGN CURRENCY ACCOUNTS FOR KENYA RESIDENTS

Kenya residents who have foreign exchange earnings (including non-export earnings) are permitted to open foreign currency accounts with banks in Kenya. The use of the funds in such accounts will be the same as those for export retention accounts.

Existing export retention accounts will be converted to resident foreign currency accounts.

3. BORROWINGS BY FOREIGN CONTROLLED COMPANIES

The existing restrictions on local borrowings by foreign controlled companies is removed.

Commercial banks will be expected to exercise their prudential credit policy in assessing the viability of each borrower.

4. OFF-SHORE BORROWINGS BY RESIDENTS

Residents may from now borrow from abroad with no limit on the amount to finance investment in Kenya including working capital, provided:

a) Interest charged does not exceed two percentage points above LIBOR and

b) Such borrowing is not guaranteed by the public sector

Applications outside the above terms will require to be referred to the Central Bank of Kenya.

5. HOTEL BILLS

The present requirement for foreigners to pay for all their hotel bills in convertible foreign currency will be removed. Foreigners can now choose to settle their hotel bills in convertible foreign currency or in Kenya shillings.

Hotels have an obligation to accept Kenya shillings in settlement of hotel bills by foreigners if and when such a foreigner chooses to settle in Kenya shillings.

6. AIR TICKETS

The present requirement by airlines for foreigners to pay their air tickets in convertible foreign currency is also being removed.

Customers will decide whether to pay in Kenya shillings or a convertible foreign currency.

Travel agents and airlines have an obligation to accept Kenya shillings for the purchase of air tickets if and when a customer chooses to settle in Kenya shillings.

The 10% travel levy is removed.

7. AIRPORT SERVICE CHARGE

Foreigners leaving Kenya will be able to pay their airport service charge in Kenya shillings or convertible foreign currency.

8. BLOCKED FUNDS

All restrictions on remittance from blocked funds are lifted except on those relating to investments made prior to February 28, 1994. Remittances of funds in the blocked accounts for investments prior to February 28, 1994 may be made by commercial banks up to the equivalent of US$ 100,000. Applications in excess of this amount will be refered to the Central Bank.

The initial investment and capital gains on investment made after February 28, 1994 may be made freely subject to verification that all taxes have been paid.

9. REMITTANCES OF PERSONAL EARNINGS BY NON-RESIDENTS

The restrictions on remittances by non-residents of their monthly earnings are removed, subject to verification of income and payment of tax.

Non-residents on a work permit in Kenya are now permitted to open foreign currency accounts with Kenyan banks to which their local earnings can be credited if not immediately remitted overseas.

They will be free to use the funds in such foreign currency accounts without restriction.

10. IMPORT AND EXPORT OF KENYA CURRENCY

Persons departing Kenya shall be allowed to carry Kenya currency notes up to a maximum of Shs. 100,000/-. This is an increase from the present limit of Shs. 10,000/- This increase has been made to particularly meet the needs of persons who travel to and from our neighbouring countries.

Exportation of amounts in excess of Shs. 100,000/- shall require Central Bank approval.

It is our expectation that the remaining exchange controls will be lifted during the course of this calendar year.

May I take this opportunity to appeal to our local and overseas investors to take advantage of the liberalised exchange system by stepping up their investments for the domestic as well as export markets.

HON. MUSALIA M. MUDAVADI, E.G.H., M.P.
MINISTER FOR FINANCE

18TH FEBRUARY, 1994

Annex 4

Event
& Conference Organisers
Limited

P O Box 24576, 2nd Floor, ABC Place, Waiyaki Way, Nairobi, Kenya
Tel: (254 • 2) 446864 Fax: (254 • 2) 443267

24th March 1994

Dear Paul,

We would like to take this opportunity to thank you very much for offering us not only your time but also you knowledge by taking part in our Seminar Programme during Hortec '94. All those that attended the seminars found them most interesting and informative and we have had endless enquires for copies of all the speeches made.

Thank you, therefore, once again and we look forward to the possibility of being able to run a similar programme next year.

We'll keep in touch!
Best regards
Charles.

Horticultural Crops HCDA *Development Authority*

Telephone 337381/2/3
Fax: 254-2-228386
Telex 22687 HORCRODEV

P.O. Box 42601 NAIROBI.

Ref: No. HCDA/D-32/2/49

Date: 05/04/ 1994

Chief of Party,
Keds Project,
Norfolk Towers,
Kijabe Street,
P.O. Box 40312,
NAIROBI.

(ATT. PAUL GUENETTE)

RE : HORTEC'94.

This is an acknowledgement of the assistance extended by the project to the Authority to facilitate our Participation.

Through the participation we were able to emphasize our statutory roles and create awareness on the Industry both Locally and Overseas.

Please accept our appreciation and extend our gratitude to your Sponsors (U S A I D).

M.K.S. MULANDI,
MANAGING DIRECTOR.

Horticultural Crops
Telephone 332351 2 3
Telex 22687 HORCRODEV

HCDA

Development Authority
P.O Box 42601 NAIROBI
Fax: 254-2-228 186

HCDA\CONF\D.32\3

10th March 1994

Mr. Paul Guenette,
KEDS

FRESH PRODUCE EXPORTS

Thank you for your stimulating analysis of 1993 exports in volume. As we have indicated before (unofficially) the real volume is higher than portrayed in statistics. The reason for this is a concerted collusion between unscrupulous exporters, agents and airlines to cheat on weights. During 1993 this practice was proved beyond reasonable doubts.

An interesting item worth further analysis is Miscellaneous Vegetables. In this category are new innovations - baby vegetables, mixed prepacks, asparagus. As you may have noted the biggest growth is to the United Kingdom.

M.A.S. Mulandi
Managing Director

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UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
U.S.A.I.D. MISSION TO KENYA
OFFICE OF THE DIRECTOR

US AID MISSION TO KENYA
BOX 202
APO NEW YORK, NEW YORK 09675

February 3, 1994

Mr. Paul Guenette
Chief of Party
Kenya Export Development Support Project
P.O. Box 40312
Nairobi

Subject: Implementing Agencies Roundtable Meeting

Paul

Dear Mr. ~~Guenette~~:

Thank you for accepting our invitation to have the KEDS team give the briefing at the next roundtable meeting of agencies involved in the implementation of USAID-financed private enterprise development programs. The meeting will be held on Thursday, February 17, 1994 from 10:00 to 12:00 noon in USAID's 12th Floor Conference Room, Union Towers Building.

The topic for discussion will be "Export Development in Kenya." We hope you will include in your briefing the extent to which the reforms currently taking place in Kenya have affected the investment in the export sector and developed a more favorable trade environment.

Once again, thank you for your positive response. We look forward to your briefing on this very important topic.

Sincerely,

John

John Westley
Mission Director

FIFTH MEETING OF THE ADVISORY COMMITTEE OF THE KENYA EXPORT DEVELOPMENT SUPPORT (KEDS) PROJECT

February 10th, 1994

AGENDA

1. Opening remarks by the Chairman, reading and signing of the minutes of the last meeting.

2. Report on the recent activities and programmes of the Public Sector Component by the KEDS Export Promotion Adviser.

3. Report on the recent activities and programmes of the Private Sector Component by the KEDS Export Development Advisor.

4. Discussion of sectoral needs and approaches to export sensitisation.

5. Development of market information services at the Ministry of Commerce & Industry.

6. Any Other Business.

New man at KAM speaks out

FOLLOWING the death of Mr Lucas Ritho Ndungi late last year, Mr R. Brennelsen, the managing director of the Mombasa-based Bamburi Portland Cement Company Ltd, is set to take over as the new chairman of the Kenya Association of Manufacturers (KAM). *The Financial Standard* recently spoke to Mr Brennelsen on wide range of issues. Below are excerpts from interview.

Q: Do you believe you will be able to fit into the shoes of Mr Ndungi?

A: I think anybody would have difficulties matching the performance of Mr Ndungi but I am making a humble effort to do as much as I can. I believe I will succeed because I have excellent support from the other members of the executive committee.

Q: Will you be able to run the association effectively from Mombasa?

A: We shall be more or less sharing the job with the vice-chairman, Mr Alfred Juma, who is based in Nairobi. He helps out when I am not in Nairobi as do the other members of the committee. We all work as a team.

Q: The KAM has sometimes been accused of being a toothless bulldog with very little impact on national economic policy. Would you agree?

A: That is not quite correct. Under my chairmanship, the government and the association will be working as a team. We shall air our views. We shall make representations. But you must understand that we cannot force the government to do certain things. But lately, there appears to be greater understanding on the part of the government and members of the association certainly now have more access to government figures.

Q: Can you mention any specific policy measures that the KAM has initiated?

A: We seek solutions and formulas which can go a long way towards helping all manufacturers. We do not force the government to change certain policies but the government obviously listens to us as is evident from the annual Budget speeches presented by the Minister for Finance. Many decisions of the government do in fact reflect our representations and our ideas.

Q: Does the KAM have any particularly political affiliations or inclinations?

A: Politically, we are totally neutral. Our aim is to serve our members in the first instance and to advise the government of the day on the formulation of policies that will enhance the manufacturing sector and business in general.

Q: We are used to reading in the Press about internal wrangles within the local business lobby groups. Is the KAM some kind of exception in this regard?

A: It is total teamwork on the executive committee. We many have our own differences but we solve them around the table, not in public.

Q: Do you believe the government has taken sufficient measures to encourage and boost manufacturing and business in general?

A: We must be aware that we achieve nothing just by criticising. If we criticise, then such criticism should be constructive, taking into account the fact that the government itself faces ernomous difficulties as it tries to reform the entire economy. We must sit together and discuss the main problems that we face and the government must be willing to listen to us. We in turn must realise that the government is restricted in many areas and that not all our requests can be granted.

Q: Now, can you say a little bit about the outlook for the cement sector?

A: The sector has been slightly depressed from about June last year and we expected production of cement to drop by about 16 per cent nationally and about 20 per cent here at Bamburi. We are confident however that the sector will start picking up by the second half of this year.

Q: What is the general scale of your operations here?

A: We produce about 1.2 million tonnes of cement a year, which accounts for about 70 per cent of Kenya's production and which about equals the entire annual production of Tanzania. This year we expect to earn the equivalent of US dollars 20 million in foreign exchange for the country. We have 870 permanent employees here and our principal markets are Mauritius, Re-Union, Seychelles, Sri-Lanka, Comoros, Somalia and Uganda. Our monthly electricity bill is over 25 million shillings and we are importing coal from South Africa worth about Shs 500 million a year. The replacement value of this factory is just under US dollars 250 million.

Q: There is a general feeling out there that cement has suddenly become too expensive. Do you agree?

A: There is no such thing as cheap cement. If you take into account our operating costs, overheads and the additional costs we have to incur to get the cement all over the country, you will find that our prices are not as high as they seem.

Q: What are the major problems affecting your operations currently?

A: The main obstacles such as price controls, import licensing, exchange controls are being removed but the government urgently needs to improve general infrastucture services which are required by all businesses. We still incur heavy losses due to power failures and the water supply in this area is very unreliable.

Stressing a point.

Mr Brennelsen

INFLATION

Tremendously Down

Annualised three month average rate down to 15 per cent in December

When presenting the government's budget for 1993/94 in June last year, the minister for finance, Mr Musalia Mudavadi, set an ambitious goal of suppressing the rate of inflation to 10 per cent by December 1993. With inflation then running at 100 per cent, even the most optimistic analysts thought Mudavadi could not achieve such a miracle in only six months. He nearly did. Last week, he reported that the annualised three month average inflation rate dropped from 101.1 per cent in June, to 15 per cent in December. "In my budget statement, I targeted a rate of only 10 per cent by the end of the year and while this has not yet been achieved, we are clearly on track and progress to date has been very substantial," he said in a speech delivered during the official opening of an export finance workshop at Safari Park Hotel last week. Besides, he was confident of further reducing inflationary pressure this year.

Although the annual rate of inflation from December 1992 to December 1993 was still high (54 per cent), the considerable decline in the three month average rate illustrated the success of the measures adopted by treasury and the Central Bank of Kenya to combat inflation. Higher liquidity ratio (now at 16 per cent) and strict financial discipline among commercial banks, open market operations and interest rate management absorbed excess liquidity from the money market, hence, depressed inflationary pressure. The measures were strongly supported by the progressive liberalisation of the trade and exchange regimes.

Besides, the shilling has remained stable within a range of one per cent for several months now. Since October, when the Central Bank's official exchange rate was abolished and the shilling floated, the exchange rate of the shilling to the dollar stabilised at about Sh68. In the past few weeks, the shilling has actually gained value marginally to Sh67.5 against the dollar. The strength of the shilling could have resulted from the combination of continued tight liquidity and strong foreign exchange reserves being held by commercial banks and the Central Bank (which is understood to have built reserves of over $500 million, or the equivalent of four months' imports by mid last month). Low demand for foreign exchange could also have supported the shilling's gain and stability.

Even before Mudavadi announced lower inflation, there was widespread speculation that the rate must have dropped significantly. The most telling sign was the substantial drop in the effective yield on treasury bills, the instruments the treasury and Central Bank used extensively to fight inflation during the second half of last year. The yield fell to around 30 per cent early last month, from over 70 - 80 per cent mid last year.

The impact of low inflation, a stable exchange rate and high foreign reserves has started driving the other markets down. Interest rates are falling, and so are general consumer prices. Commercial banks have dropped their lending and deposit rates, while some of the major producers have lowered the prices of their goods.

Shoppers in a supermarket: Prices of commodities are falling

Proud achievement: Mudavadi

The trend is expected to continue with further liberalisation of the economy. The anxiously awaited deregulation of exchange controls is only a heart beat away. The Exchange Control Act is expected to be abolished when parliament opens next month, Mudavadi said last week. "I wish to assure you that there will be no turning back from this policy under the present government," he said. As an interim step, the Central Bank disbanded its exchange control department last month, and replaced it with a small exchange management division under the foreign department. By June, the reforms are expected to be topped up with the liberalisation of the petroleum industry.

Mudavadi also promised "sweeping changes" to the Banking, Central Bank and Insurance Acts. He said the needs of the export finance and insurance sectors would be adequately covered in the amendments, which will also encourage the development of flexible finance and insurance instruments. In addition, he said, reinsurance business was being liberalised gradually and the government would divest from the business (presumably by selling its shares in Kenya Reinsurance Corporation). ■

The Standard: Thursday, January 27, 1994

Nyachae assures Kenyans on food

By David Okwembah

KENYA has sufficient food stocks to see it through the current drought, the Minister for Agriculture, Livestock Development and Marketing Mr Simeon Nyachae said yesterday.

The minister however admitted that this year's harvest would be very poor.

Mr Nyachae who was talking to the Press after meeting the French Ambassador to Kenya, Mr Micehl Rougagnou, said the Government had sent out an appeal for food aid and set in motion importation mechanisms to meet the shortfall.

Yesterday, Vice-President, Prof George Saitoti, was quoted as having warned of looming hunger owing to persistent drought.

But Mr Nyachae said no Kenyan was going to starve due to the shortfall adding: "There is no famine in Kenya and we are convinced that no Kenyan is going to starve."

He thanked the French government for donating some maize to Kenya and appealed to other donor countries to come to Kenya's assistance.

The minister further denied that the dairy industry was on the verge of collapsing but noted that it faced various problems which were caused by drought, privatisation of artificial insemination and the increase in acaricides prices.

Nyachae

He dismissed a report by the Food and Agricultural Organisation (FAO) which said Kenya's dairy industry was on the verge of collapse saying the problems in the industry were caused by nature.

Mr Nyachae said the Government was aware of all the problems facing the agricultural sector and criticised the local Press for failing to highlight them.

On the impact of clashes on the agricultural sector, the minister said it was minimal since the cereal growing areas of the country had not been affected.

He assured the envoy that the Plant Breeders Rights Bill will be tabled soon in Parliament in order to stop piracy in the agricultural sector.

Mr Nyachae said Kenya's agricultural performance had been on the decline for the past six years due to the world economic recession, poor climate and price increases in inputs.

He criticised local companies involved in the production of acaricides saying they operated in cartels to blackmail farmers and appealed to the French government to assist the Government establish its own factory.

Mr Rougagnou said Kenyan farmers were highly rated in the world because of their famous tea and coffee but lamented that their image was being tainted by piracy in the horticultural sector.

The ambassador appealed to the ministry to increase its arable land and also diversify agriculture to be able to be self-sufficient in food.

Noting that irrigation was too expensive to undertake, Mr Rougagnou called on the ministry to engage in research and diversification to meet its food demands.

Daily Nation: Thursday, January 27, 1994

EWS

Bill to protect plant breeders

By NATION Reporter

A Bill to protect agricultural plant breeders will be tabled in Parliament once the House resumes seating, Cabinet Minister Simeon Nyachae said yesterday.

The Bill is intended to protect the rights of individuals, researchers, organisations or countries that develop plant varieties of commercial importance such as maize, beans, vegetables and flowers.

The breeders' law will make it illegal for anybody to grow or market such crops without the consent of the original breeder, the Minister for Agriculture, Livestock Development and Marketing said.

He was holding talks with the French Ambassador to Kenya, Mr Michel Rougagnou, in Nairobi.

Mr Nyachae thanked the French Government for its continued assistance to Kenya, particularly in the areas of infrastructure.

He said the development of the agricultural sector was a Government priority, to feed the people and trade in crops.

The Minister assured Kenyans that there would be sufficient food for all.

He appealed to friendly nations such as France, Japan and other European nations to support Kenya improve her agricultural.

Mr Rougagnou asked the Minister to submit requests for specific agricultural projects for which he would like French assistance.

Mr Nyachae appealed to interested French firms to explore the possibility of setting up a fertiliser factory.

The envoy also said some Cabinet Ministers were marring Kenya's image abroad. "Some of your colleagues in Government spoil your image," the ambassadoar said and added: "Kenyans have taken too long to start thinking of themselves as Kenyans and not members of certain ethnic communities."

The ambassador said his country would still be firm on the fulfilment of conditions set by the Paris Club.

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Kenya Times : Friday February 4, 1994.

Horticultural exports increased by 8.3 p.c. last year, says HCDA

By EVANS LUSENO

A TOTAL of 62,107 tonnes of horticultural products were exported in 1993, an increase of 8.3 per cent over the 1992 volume.

The major increases were realised in pineapples with 32.2 per cent increase, melons 32.1, mangoes 21.3, cutflowers 19.3, passion fruits 16.8, avocado 5.8 and miscellaneous vegetables with 152.1 per cent increase.

This was disclosed yesterday by Mrs L. W. Waithaka, general manager operations, Horticultural Crops Development Authority (HCDA) during a one-day Second Protrade Seminar for Kenya Producers and Exporters of Fruits, Vegetables and Cutflowers sponsored by the German Technical Co-operation (GTZ) at the Serena Hotel, Nairobi.

Mrs Waithaka, who was accompanied by HCDA chairman S. B. Rotich, P. M. Nyamiaka, technical service manager, P. V. Kimweti HCDA project manager and I. M. Mukindia, commercial manager, said fresh horticultural exports have continued to increase year after year making the subsector one of the steadily growing areas in agriculture.

The manager said the increase realised in avocados and mangoes over the last two years has been as a result of improvements in quality of produce exported by sea.

She said 39.6 per cent of avocado exported in 1992 were transported by sea. Said she: "The trend continued in 1993 as the cost of airfreight has become prohibitive to bulky commodities which include most of the fruits."

Mrs Waithaka noted that there was a recorded decrease in export volume of green beans and Asian vegetables by 4.8 per cent. She said this was mainly as a result of quality problems, high air freight rates and emergence of other alternative suppliers in the same market.

Although exports of fresh beans declined, Mrs Waithaka said the decline was more than matched by canning and freezing. She lamented that high air freight rates coupled with the ever limiting cargo capacity remains a major constraint for export.

"It is with this notion in mind that the success of sea-freighting of horticultural produce will help to maintain the growth of this industry," she said. She said that the introduction of appropriate storage facilities will increase the produce range that can be successfully transported by sea.

She said the success of sea shipment will depend on many factors which include the volume of quality produce which means increased production of fruits.

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EXPORTERS CALL FOR FURTHER INCENTIVES

By OSCAR KING'ORI

BANKS, trading companies and insurance firms have not evolved mechanisms for pooling the risks that an exporter is not able to meet in his contract obligations or to bail him out when an importer fails to pay, Mr Kasanga Mulwa said yesterday.

Mr Mulwa, the chairman of Fresh Produce Exporters Association of Kenya, said the local horticultural industry is expanding vastly but at the same time competition is growing at a faster rate. He was addressing participants at the "Export Finance and Modalities" seminar at Safari Park Hotel, Nairobi.

"The Kenyan exporter does not enjoy the mechanisms of letters of credit ostensibly because of the perishable nature of the commodity to be exported," he said, adding that as an extension of this, the exporter does not enjoy any insurance cover for his risks.

He said exporters of horticultural produce look for their financing from the banks, Agricultural Finance Corporation (AFC), foreign donors and Kenya Rural Private Enterprise Project (RPE).

He said existing financing facilities to these exporters lack pre-shipment guarantee programmes and a post-shipment credit insurance programme. Such programmes, he said should be designed to encourage banks to open up and lend to non-traditional exporters. He said the banks are reluctant to administer finances which attract less than the prevailing bank rates.

The chairman said the recent liberalisation has underscored Government commitment to the export of traditional as well as non-traditional exports. Competition in the international markets, he said, requires that exporters of fresh produce be able to finance the purchase of machineries and the prepacks and have the capital for purchasing the produce. They also need refrigeration, green houses, commercial vehicles and market surveys, promotional activities and to meet freight charges. Thus, there is need for finances to meet the financial obligations of exporters after they extend credit facilities to the buyers.

He said: "It is not easy at the moment for an exporter to raise the finances to meet these needs. The banks which are the main source of financing will insist on securities and look less at the project itself. This limits exporting to the large established firms that have reputation and securities."

To sustain the export markets, he said Kenya would need to create a transaction-based trade financing system to march the conmpetition. He said this calls for the Government, the banks and the exporters to come out with a policy deliberately aimed at encouraging the outflow of the produce and the inflow of foreign exchange.

Nation: Tuesday, February 8, 1994

Trade in forex retention balances urged

By MAURICE OTIENO

The Government should allow commercial banks to trade on retention account balances instead of letting such balances lie idle for 90 days in cases where the account holders prefer not to trade the balances before the ninety-day limit.

The recommendation was made by participants at a workshop on "Export Finance Policies and Modalities" held at a Nairobi hotel last week. The participants comprising exporters, insurers, bankers and other export facilitating institutions observed that although retention accounts were established to help exporters meet their foreign financing obligations, the timing of their establishment was to hedge export activities from exchange rate risks arising from the instability of the shilling and scarcity of hard currencies at that particular time.

During that time, it was observed, the country was experiencing a significant scarcity of hard currencies which in turn adversely affected export trade.

The participants further suggested that commercial banks should be allowed to evolve trading in retention account balances since many of them seem to hold vast amounts of idle balances in retention accounts.

One particular commercial bank was said to be holding Sh2 billion worth of hard currency in its retention accounts.

They urged that, in view of the recent instability experienced in the banking sector when a number of banks failed, the Central Bank should play a supportive role in the evolution of such trading.

The workshop which was officially opened by an Assistant Minister for Finance Mr Mathias Keah was organised by a number of export facilitating organisations including the Export Promotion Council, Export Promotion Programme Office (EPPO) and the Kenya Export Development Support (KEDS).

It was sponsored by the United States Aid for International Development (USAID).

The participants also called for a review of the Banking Act to allow for the establishment of merchant banks, arguing that such banks would serve the exporters better in a liberalised environment.

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Nairobi to host big horticultural show

By NATION Correspondent

Sixty participants are expected for the Hortec '94 Exhibition to be held at the Plenary Hall of the Kenyatta International Conference Centre from March 16 to 19 under the sponsorship of the ABN-AMRO Bank.

The international event will boost the growth of horticulture, floriculture and related industries in East and Central Africa.

Mr Charles Campbell Clause, director of event and Conference Organisers Ltd, says that stands have already been booked by exhibitors from France, Germany, Holland, Israel and South Africa and that "serious inquiries have been received from Britain and the USA".

The exhibitors cover a cross-section of buyers, growers of cut flowers and produce and suppliers of equipment, fertilisers and insecticides.

While discussing the prospects for Hortec '94, Mr W.A.E.J. Lemsira, the general manager for Kenya of ABN-AMRO Bank, said that more than 40 per cent of the banking requirements of Kenya's horticultural trade is handled by ABN-AMRO.

The bank holds a dominant position in Holland, the world leader in the cut flower business, and enjoys a strong presence in the European Union (formerly the EEC).

Payments for produce auctioned in Holland are usually made in Nairobi within two days of the sale.

Tuesday 2/2/94 Daily Nation

Export financing strategy planned

Kenyan export goods ready for the market: Lack of finance constraining exporters.(File Picture)

By ALEX CEGE

The Government and the World Bank are working on an export financing strategy that will be free of the abuses experienced under previous schemes, according to a report prepared by the USAID-funded Kenya Export Development Support Project (KEDS).

However, the report says such a scheme is unlikely to be introduced "in the near future" citing "political ramifications."

This in effect means that the operations of the Kenyan small and medium scale exporter will continue to be constrained by lack of finance.

The report is part of the *Export Competitiveness Study*, a comparative analysis of the export environment in Kenya Uganda, Tanzania, Zimbabwe, Botswana, South Africa, Mauritius, Ghana and Tunisia released last month.

The study surveys the legal and policy framework, institutional and procedural elements, and basic production/economic factors in Kenya.

In the study, Kenyan exporters emerge as a highly disadvantaged lot compared to their continental counterparts especially because of constrained access to working capital after the scrapping of pre- and post-shipment finance facilities by the Government.

The Government scrapped the facility due to widespread abuse by businessmen.

"The Government provides comprehensive tax-based incentives and preferential treatment to producers of export commodities. However, in the past, efforts towards provision of export finance schemes have been fraught with difficulties in administration and implementation resulting in abuses," the report says.

It adds that the Government-supported pre-and post-shipment finance schemes, along with the Export Compensation Scheme, "were particularly important to small and medium scale exporters and many such firms are now experiencing difficulty accessing financing for working capital."

The export financing schemes, which were administered from the Central Bank of Kenya, were discontinued last year after a hue and cry over enhanced export compensation to Goldenberg International, a firm that purported to have exported gold and jewelry.

With loans carrying an interest rate of 30 per cent and a three-month grace period, the current high cost of funds is a great impediment to the exporter and many have had to use their own funds – often inadequate – to finance their operations.

Kenyan commercial banks do not offer special terms to exporters and they prefer clients provide collateral for loans in the form of land titles and chartered mortgages.

In addition, guarantors must raise at least 25 per cent of the total project cost, the report adds.

And whereas several commercial banks offer medium term loans to finance equipment purchases and capital expansion, "normal collateral requirements apply to these loans."

The report says that commercial bank interest rates for term finance, as well as pre-and post-shipment finance, range between 30 and 40 per cent presently.

Exporters are further constrained by the high charges of confirming, negotiating and financing letters of credit.

Charges of opening an LC vary from one to three per cent of Clearing and Forwarding, negotiating charges vary from 0.5 to two per cent while LC confirmation charges vary from one to two per cent, the reports adds.

Furthermore, most commercial banks required 100 per cent cover to open back-to-back Letters of Credit.

It quotes the manager of a leading food products company as saying that although the firm had the market to export all its output, they could only export 20 to 30 per cent because they could not handle the financial requirements beyond that level.

According to the firm, the commercial banks do not have adequate funds to finance large orders and are also unable to process more than one LC (particularly large ones) at a time making it difficult to accommodate multiple orders.

INSIDE

Financial Standard

Exchange Control Act is virtually scrapped

By Hussein Mohammed

THE Government decisively moved last week to virtually abolish the restrictive Exchange Control Act.

The Act, Chapter 113 of the laws of Kenya was originally enacted on December 11, 1950 by the colonial government and has in spirit virtually remained the same for 40 years.

The act confers powers on the minister for finance to impose duties and restrictions in relation to gold, currency, payments, securities, debts, imports, exports, transfer and settlement of property among other things.

The latest measures announced by Finance Minister, Mr Musalia Mudavadi, last Friday have drastically rearranged Kenya's foreign exchange market making it one of the most open in the East Africa region.

The bold measures put in place come in the wake of President Moi's statement on Jamhuri Day last year, calling for a gradual removal of all exchange controls.

With effect from Friday local residents have been allowed unlimited off-shore borrowing to finance local investment and all restrictions on local borrowing by foreign controlled companies have been scrapped.

The minister explained that off-shore borrowing would be allowed provided the interest charged does not exceed two per cent and that no Government guarantee was required.

The exact changes announced are as follows:

Export Retention Accounts.

Export retention is to be increased from 50 per cent to 100 per cent.

The requirement to surrender the export proceeds after 90 days remains. Restrictions on the use of the funds will remain unchanged for the time being.

Foreign Currency Accounts for Kenya Residents

Kenya residents who have foreign exchange earnings (including non-export earnings) are permitted to open foreign currency accounts with banks in Kenya. The use of the funds in such accounts will be the same as those for export retention accounts.

Existing export retention accounts will be converted to resident foreign currency accounts.

Borrowings by Foreign Controlled Companies

The existing restrictions on local borrowings by foreign controlled companies are removed.

Commercial banks will be expected to exercise their prudential credit policy in assessing the viability of each borrower.

Off-shore Borrowings by Residents

Residents may from now borrow from abroad with no limit on the amount to finance investment in Kenya including working capital, provided:

a) Interest charged does not exceed two percentage points above LIBOR and

b) Such borrowing is not guaranteed by the public sector.

Applications outside the above terms will require to be referred to the Central Bank of Kenya.

Hotel Bills

The present requirement for foreigners to pay for all their hotel bills in convertible foreign currency will be removed. Foreigners can now choose to settle their hotel bills in convertible foreign currency or in Kenya shillings.

Hotels have an obligation to accept Kenya shillings in settlement of hotel bills by foreigners if and when such a foreigner chooses to settle in Kenya shillings.

Mr Mudavadi

Mr Cheserem

Air Tickets

The present requirement for airlines for foreigners to pay their air tickets in convertible foreign currency is also being removed.

Customers will decide whether to pay in Kenya shillings or, a convertible foreign currency.

Travel agents and airlines have an obligation to accept Kenya shillings for the purchase of air tickets if and when a customer chooses to settle in Kenya shillings.

The 10% travel levy is removed.

Airport Service Charge

Foreigners leaving Kenya will be able to pay their airport service charge in Kenya shillings or convertible foreign currency.

Blocked Funds

All restrictions on remittance from blocked funds are lifted except on those relating to investments made prior to February 28, 1994. Remittances of funds in the blocked accounts for investments prior to February 28, 1994 may be made by commercial banks up to the equivalent of US$100,000. Applications in excess of this amount will be referred to the Central Bank.

The initial investment and capital gains on investment made after February 28, 1994 may be made freely subject to verification that all taxes have been paid.

Remittances of Personal Earnings by Non-Residents

The restrictions on remittances by non-residents of their monthly earnings are removed, subject to verification of income and payment of tax.

Non-residents on a work permit in Kenya are now permitted to open foreign currency accounts with Kenyan banks to which their local earnings can be credited if not immediately remitted overseas.

They will be free to use the funds in such foreign currency accounts without restriction.

Import and Export of Kenya Currency

Persons departing Kenya shall be allowed to carry Kenya currency notes up to a maximum of Shs 100,000. This is an increase from the present limit of Shs 10,000. This increase has been made to particularly meet the needs of persons who travel to [illegible]

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BUSINESS VIEW

Famine, goodwill and the drought levy

By Dominic Odipo

THE Government now appears to have accepted the fact that this country is facing a serious food shortage, which could or has already deteriorated into famine in different parts of the country. At least one-fifth of the population may be hit by this catastrophe which has primarily been brought about by the prolonged drought that has hit this region over the last six months.

But how should this problem be tackled? Should taxes be imposed on certain sections of the population to help raise the necessary relief funds or are there other avenues which could be followed to achieve the same results?

Last week, the Government put out a statement saying that it intends to introduce a new, temporary drought levy on what it called high-income Kenyans and corporations in an effort to adequately service the relief programme. Asked to comment on this statement later, the Minister for Finance, Mr Musalia Mudavadi, said that the modalities are still being worked out and that they will be announced soon. He emphasised, however, that the famine is a national problem and that all Kenyans must come together to alleviate the sufferings of their less fortunate countrymen.

There is a lot of goodwill out there on this issue of famine relief. Most Kenyans who are able would easily make sacrifices to help those who will be affected by what is in the main, a natural disaster. But this goodwill could easily evaporate if arbitrary taxes are imposed on certain sections of the population without sufficient efforts having been made to explain why no other solutions exist.

Apart from the difficulties that can be expected in defining who a "high income" Kenyan is, "temporary" taxes all over the world and all through history have a markedly notorious habit of turning permanent.

Even the income tax itself, which we all now seem to take for granted, started off in England as a temporary war levy. Our own service charge was initially intended to last no more than two years. Since most of the North Eastern Province experiences what amounts to a permanent drought, there is a real danger that any type of drought levy could become permanent.

What is required here is a top level political effort to reach out to the nobler sides of the citizens of this country without recourse to any kind of punitive measures in the form of new taxes or levies. The Kenyan people very well understand what the situation facing the country is. They need not be bulldozed into doing what they would only be too glad to do in the first place.

Kenya to get US$ 11.6m from ADB

A HORTICULTURE and traditional food crops development project is to be implemented in the eastern and central provinces of Kenya, thanks to a loan of UA 9.20 million, about US$ 11.65 million, from the African Development Fund (ADF).

According to ADB sources, the loan, which is repayable over 50 years with a grace period of 10 years, will cover 90 per cent of the total cost of the project. It will finance the entire foreign exchange cost and 79 per cent of the currency cost.

By this loan, the ADB Group seeks to augment the share of agriculture in Kenya's GNP, increase foreign exchange earnings, guarantee food security, and supplement the government's effort to increase smallholder horticultural and traditional food crops production as well as the incomes of small farmers in the project area, with particular emphasis on women.

Agricultural resources contribute considerably to the country's economy, but they are becoming increasingly rare, because of the scarcity of good quality arable land. Owing to the high population growth rate — around 3.3 per cent a year for a population of 23.5 million — nearly all the surplus production is consumed locally. Consequently, new sources of foreign exchange earnings, such as horticulture, must be tapped.

The project, costing a total of UA 10.59 million, i.e. US$ 13.40 million, commenced in January 1994 and will be completed in 1999. It will be implemented by the Ministry of Agriculture. The components include infrastructure development, strengthening, expansion, and improvement of marketing services, and distribution of improved seeds. Some 50,000 hectares will be sown with improved seeds, and seedlings for crop [illegible] will be produced and distributed.

The marketing system for horticultural crops will be improved through the construction of marketing facilities, the strengthening of certain institutions of the private sector, the reinforcement of the market information of the private sector, the reinforcement of the market information system, and the introduction of measures to encourage farmers to take an active part in produce marketing. To facilitate transportation of horticultural products from the production centres to the markets, access roads and feeder roads will be rehabilitated.

In developing traditional food crops, emphasis will be laid on production, multiplication and distribution of improved seeds and planting material to farmers in the project area. To ensure correct [illegible] multiplication of potential seeds and seedlings of new types of cassava, sweet potatoes, pulses, millet and sorghum, the project will support research activities at Katumani by providing equipment for obtaining top quality seeds.

The project will then go on to produce foodstuffs for consumption and marketing. Food processing plants will be acquired for the purpose. Training will be organised in food technology and a campaign will be mounted to promote consumption of traditional food crops.

Logistic resources for the campaign include means of transport, equipment and light lorries for demonstration sessions.

Mr Ndiaye

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Limited effects as rains pound

SUCCESSIVE rains which were reported in Nairobi, some parts of Rift Valley and most parts of Central Province did not influence the supply of agricultural produce to our wholesale markets as may have been anticipated by most traders and consumers.

If these rains continue the effects will be clear in near future. With continuous rains, sukuma wiki will be the first commodity to record improved supplies. Vegetables and legumes were in low supply while cereals were stable. Prices of green maize increased while those of carrots dropped this week.

Green maize had a light improvement this week. Currently the demand for the commodity is pretty good, though the unavailability of the produce had fluttered consumers. Prices went up almost in all wholesale markets where a bag was recorded at Shs 2,500 from Shs 1,650 in Mombasa, Shs 2,500 from Shs 1,800 in Nairobi, Shs 1,900 from Shs 1,600 in Nakuru, Shs 2,300 from Shs 1,700 in Eldoret and Shs 1,250 from Shs 1,000 in Meru.

Prices dropped only in Kisumu from Shs 1,000 to Shs 950 and from Shs 900 to Shs 800 in Nyeri. Prices were uniform in Garissa at Shs 2,450, Kitale at Shs 1,650 and Nanyuki at Shs 1,100.

Rosecoco beans performed well this week as earlier predicted. Price changes was seen in several markets. Prices changed from Shs 2,750 to Shs 3,000 in Mombasa, from Shs 2,800 to Shs 3,000 in Nairobi, from Shs 2,800 to Shs 3,000 in Kisumu, from Shs 2,400 to Shs 2,600 in Nyeri and from Shs 2,600 to Shs 2,700 in Kisii's Daraja Mbili market.

Prices were constant in Nakuru, Eldoret, Garissa and Nyandarua markets at Shs 2,400, Shs 2,500, Shs 3,000 and Shs 2,600 respectively. A drop in price was only explicit in Meru and Kitale from Shs 2,400 to Shs 2,200 and from Shs 2,300 to Shs 2,280 respectively.

A market survey conducted last week indicates that prices of dry maize in most markets were in the range of Shs 1,200 to Shs 2,250 per bag. Kisii and Kitale at Trans Nzoia District recorded the lowest prices, Shs 1,000 and Shs 1,040 respectively while Garissa and Mombasa recorded the highest price of Shs 2,250 and Shs 1,450 per 90 kg bag respectively.

Price changes were recorded in other markets, where a bag sold at Shs 1,230 from Shs 1,200 in Nairobi, Shs 1,200 from Shs 1,100 in Kisumu, Shs 1,250 from Shs 1,200 in Nyeri while in Eldoret and Nakuru prices were constant at Shs 1,200 respectively. If the current supply and demand of dry maize persists in some parts of Kisii District, where farmers are harvesting, then prices are tipped to fall slightly as some markets recorded a price of Shs 980

PRICE VARIATIONS

MARKETS	PREVIOUS WEEK 6 to 12/2/94	CURRENT WEEK 14 to 19/2/94	PRICE CHANGES Shs
MOMBASA (Kongowea Mkt.)			
Cabbages	2775/-	23000/-	+475
Dry maize	1450/-	1450/-	00
Rosecoco Beans	3060/-	3060/-	00
Red Irish potatoes	1450/-	1300/-	+150
Green Maize	2500/-	1650/-	+850
NAIROBI (Wakulima and Nyama. Mkts)			
Cabbages	2100/-	1800/-	+300
Dry maize	1230/-	1200/-	+30
Rosecoco Beans	3000/-	2000/-	+200
Red Irish potatoes	1100/-	1400/-	300
Green Maize	2500/-	1800/-	+700
NAKURU			
Cabbages	1500/-	1800/-	300
Dry Maize	1200/-	1200/-	00
Rosecoco Beans	2400/-	2400/-	00
Red Irish potatoes	970/-	950/-	+20
Green Maize	1900/-	1600/-	+300
KISUMU (Municipal Mkt.)			
Cabbages	450/-	600/-	-150
Dry Maize	1700/-	1700/-	00
Rosecoco Beans	3000/-	2880/-	+120
Red Irish potatoes	1200/-	1200/-	00
Green Maize	950/-	900/-	+50
ELDORET			
Cabbages	650-	750/-	-100
Dry Maize	1725/-	1725/-	00
Rosecoco Beans	2500/-	2500/-	00
Red Irish potatoes	850/-	900/-	50
Green Maize	2300/-	1700/-	+600

Cabbages 126 kg; Dry Maize 90 kg; Rosecoco Beans 90 kg; Red Irish potatoes 130 kg; Green Maize 115 kg

Exchange Control Act virtually gone

From Page VI

and from our neighbouring countries.

Exportation of amounts in excess of Shs 100,000 shall require Central Bank approval.

Speaking at the Press conference at the Treasury, Mr Mudavadi said that the Government was fully committed to its economic reform programme.

He added that he expected the remaining exchange controls to be lifted before the end of this calendar year.

The Central Bank Governor, Mr Micah Cheserem, who was also present, said the only major control left after Friday's review involved items covered under the capital account. This, he said, must be approached cautiously since they involve transfers of large sums of foreign currency outside Kenya.

The Minister called on all key economic players to exercise discipline in observing the new rules.

On the settlement of bills by foreigners in local currency, Mr Mudavadi noted Kenyans must now be proud of their strong local currency which can now compare fairly with the major currencies.

"They must have greater confidence in the shilling. Besides we have readily available foreign currency, he said.

Meat prices

Average URBAN Retail Prices: Meat and Fish — Kenya Shillings per Kilogram					
Market	Beef with Bones	Steak Meat	Goat Meat	Nile Perch	Tilapia
Nairobi	100.00	120.00	135.00	55.00	65.00
Mombasa	100.00	140.00	120.00	80.00	100.00
Nakuru	110.00	130.00	130.00	45.00	50.00
[illegible]	100.00	120.00	100.00	45.00	35.00
Kisii	100.00	110.00	130.00	45.00	50.00
Meru	100.00	130.00	135.00	—	—
[illegible]	120.00	150.00	150.00	—	—
[illegible]	100.00	120.00	90.00	35.00	40.00

Quick action by Berger customer service supervisor, Janet Bittah (left), and her assistant Charity Njoroge foiled a recent attempted fraud by a couple claiming to be representatives of a relief organisation. Janet and Charity became suspicious of a suspect banker's cheque and alerted security officer, Stephen Mbugua.

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FOREIGN EXCHANGE

More Reforms

Remaining restrictions to go by year's end

All restrictions in the transfer and use of foreign exchange are likely to be disbanded very soon, considering the pace at which treasury has relaxed exchange control regulations. New regulations announced last week by the minister for finance, Mr Musalia Mudavadi, point to a definite trend towards the repeal of the Exchange Control Act, the law that the government has used to restrict the free movement of foreign currency in and out of Kenya. However, the earliest the Act can be repealed is next month, when parliament resumes after a three month recess.

The new measures, which were announced on Friday and took effect immediately, allow exporters to retain all their foreign exchange earnings, though, they will still be required to surrender to the Central Bank of Kenya all proceeds not sold in the money market after 90 days. However, restrictions on the use of such funds still apply. The retention accounts, in which exporters keep revenue from export sales, will be converted into resident foreign currency accounts, Mudavadi said. Until last week, exporters were allowed to retain 50 per cent of their earnings and sell the balance to the Central Bank, but at the commercial exchange rate. Besides, Kenyans who earn foreign exchange are now allowed to operate foreign currency accounts with commercial banks in the local market. However, the use of such funds is also subject to the restrictions which apply on export accounts.

Foreign owned companies were allowed to borrow funds from the local market, implying that they no longer have to depend almost entirely on foreign borrowing to finance their activities. "The existing restrictions on local borrowings by foreign controlled companies are removed," Mudavadi said. However, banks are required to exercise their "prudential credit policy" in assessing the viability of each borrower. Since last December when Mudavadi relaxed several regulations in the exchange control system, such companies were allowed to borrow locally only the equivalent of 20 per cent of their share capital and reserves. Before then, they were not allowed to borrow from the local banks without the approval of the Central Bank. They could only take short term overdrafts locally, but had to finance their operations entirely from foreign sources.

Towards full liberalisation: Mudavadi

The restriction on local investors borrowing overseas to finance their projects and working capital was also removed, implying that the limit of $1 million set in December no longer applies. Residents and local companies, therefore, can borrow offshore, provided the interest charged does not exceed two percentage points above the Libor (London inter-bank offered rate), and such borrowings are not guaranteed by the government or the public sector. By the end of last week, the Libor applied on six months Sterling pounds denominated lending was five per cent, which means that a Kenyan borrowing in Sterling from London would have to negotiate an interest rate which does not exceed seven per cent. For dollar loans, the Libor was 3.75 per cent, which implies that the maximum borrowing rate allowed by the Central Bank is 5.75 per cent.

Mudavadi further lifted restrictions on the remittance of blocked funds. He said investment and capital gains made after February 28 will be remitted without restrictions, provided all taxes have been paid and verified. For blocked funds relating to investments prior to this date, commercial banks were authorised to allow the remittance of up to $100,000. Applications in excess of this amount have to be referred to the Central Bank. Non-residents working in Kenya were permitted to remit their earnings, subject to verification of income and payment of tax, or open foreign currency accounts in Kenya. There are no restrictions on the use of such funds.

Apart from the changes in offshore borrowing, export and remittance regulations, Mudavadi said foreign currency will no longer be mandatory in the settlement of hotel bills and purchase of air tickets by foreigners. They can opt to settle their bills or buy tickets in shillings. He also removed the 10 per cent travel levy which was applied on air tickets. Foreigners were also allowed to pay airport tax or service charge in either convertible currency or shillings. In addition, the minimum value of Kenya currency notes that can be exported was raised from Sh10,000 to Sh100,000. The new limit will particularly facilitate travel between Kenya and its neighbouring countries.

In his statement, Mudavadi did not indicate when exchange controls would be finally abolished. "It is our expectation that the remaining controls will be lifted during the course of this calendar year," he said. The emphasis on the calendar year, which ends in December, rather than the fiscal year, which ends in June, would seem to imply that some form of controls will remain in place, perhaps until the second half of the year. ■

BANKING

Cash Ratio Raised to 20 per cent

Cheserem: Mopping up liquidity

As treasury relaxed exchange controls further, the Central Bank of Kenya raised the cash ratio to maintain a hold on money supply and control inflation. The governor, Mr Micah Cheserem, said it was imperative to remove excess liquidity from the money market by raising the commercial banks' cash ratio from 16 to 20 per cent. The ratio (the percentage of public deposits that commercial banks maintain in their accounts at the Central Bank), was last raised this month from 14 per cent in December.

The higher cash ratio, which takes effect on March 21, will effectively constrain commercial banks' lending ability, and would most likely slow down the fall in bank interest rates. Besides, Cheserem indicated that the Central Bank will no longer pay interest on commercial banks' credit balances at the Central Bank. This, he said, was necessary to maximise the impact of the cash ratio in tightening liquidity. Currently, the banks earn interest on their cash deposits above 10 per cent.

Although the governor did not explain the source of the excess liquidity, it is apparent that substantial funds have shifted back to the banking sector from treasury bills, whose effective yields have dropped from over 70 per cent mid last year, to just above 20 per cent. The steep drop in treasury bills yields has also caused an influx of cash to the Nairobi Stock Exchange, where share prices have appreciated to record levels due to strong demand.

The Central Bank's emphasis on the cash ratio rather than treasury bills as a tool of managing liquidity is considered to be more realistic long term strategy of suppressing inflationary pressure. More active sale of one, two and five year treasury bonds is expected to complement this strategy. In addition, the bank has introduced longer term dated treasury bills with a maturity of 180 days, which, the chief banking manager Mr Reuben Marambii, said last week will be floated for the first time this week, and value dated Monday next week.

BANKI KUU YA KENYA — CENTRAL BANK OF KENYA

NOTICE TO ALL INVESTORS IN GOVERNMENT SECURITIES

LONGER DATED TREASURY BILLS

Central Bank of Kenya, in conjunction with the Treasury, have finalised arrangements for introduction into the money market of 180 days Treasury bills as an addition to the existing 90, 60 and 30 days ones.

The new 180 days bills will be available from Treasury Bills issue Number 1041 to be dated 28-2-94.

R.M. MARAMBII
CHIEF BANKING MANAGER

February 17, 1994

BAT

Record Profits

BAT Kenya Limited posted record profits last year from increased cigarette exports and exchange gains in its dollar retention account holdings, which offset rising import costs.

The company's gross turnover increased by Sh2.2 billion over that achieved the previous year, to Sh7.2 billion, of which Sh4.1 billion was remitted to the treasury as excise duty and value added tax (VAT), compared to slightly over Sh3 billion in 1992.

Pre-tax profits nearly doubled from Sh755 million to Sh1.4 billion, while net profits doubled from Sh447 million to Sh897 million. The increase in profit after tax was partly attributed to the reduction in corporation tax rate from 37.5 to 35 per cent.

The directors have recommended that a final dividend of Sh431 million be paid to investors appearing on the company's register by March 4, 1994, at a rate of Sh11.50 for every share with a par value of Sh10. This translates to a 115 per cent return on each share. Together with the two interim dividends paid last year, this will increase the shareholders' returns for the year to Sh544 million or Sh14.50 per share, compared to Sh9.45 per share paid in 1992.

The directors have also proposed a bonus share issue of 100 per cent - one share for every one held - which will capitalise Sh375 million from retained profits. The bonus shares will, however, not be eligible for dividend for the trading period ending last December. The two proposals will be discussed during the company's annual general meeting which will be held at the Nairobi Serena Hotel on April 21, 1994.

The impressive results were achieved despite a 7.8 per cent decline in domestic sales attributed to a decline in disposable incomes due to inflation, and the reduced liquidity in the economy in 1993. The overall drop in sales, however, was only 1.3 per cent, owing to an increase in exports.

In a statement, the BAT company secretary, Mr J. N. Kiragu, says the gross turnover from cigarette sales increased by 40 per cent as a result of price increases, and the beneficial effects derived from the shilling's devaluation in export markets.

The announcement of the results pushed the prices of BAT shares at the Nairobi Stock Exchange up from Sh265 to Sh470. ■

MIDDLE AFRICA INVESTMENTS

"Magic" Programme

MIDDLE Africa Investments Limited, a financial consultancy firm, will soon launch a credit enhancement and reinsurance scheme through which exporters will secure financing.

The scheme, to be undertaken by a proposed Middle Africa Guaranty Indemnity Company (Magic), will be the first export guarantee programme in Kenya. The initiative was announced by a director of the firm, Mr Bromley Smith, during a seminar on export finance for manufacturers held recently at a Nairobi hotel under the United States Agency for International Development (Usaid) funded Kenya Export Development Support (KEDS).

Smith observed that commercial banks were reluctant to extend this facility, which is widely used in developed countries, due to high risks associated with the low net asset values of the exporters.

"Through its capital base and through reinsurance of the risk to a third party, Magic will have the standing in the commercial banking sector to act as a prime guarantor," explained Smith.

Magic will help small and medium scale manufacturers get access to pre- and post-export finance for expansion through an annual subscription to the company. In the proposed scheme, members with financial need will then apply to Magic, which will issue a cash seal to bankers for lesser rates, and simplify the export funding process after reviewing the credit risk for a fee. The exporter would then solicit finance personally, or through Magic, using the full faith and credit guarantee in any area of export financing.

Magic's initial capital base will come from the parent company, but additional shareholders and the donor community can purchase senior subordinated debentures that will serve as credit support for expanding the programme. Smith said two donor nations had shown interest in buying debentures.

"It is easier and cheaper to set up a guarantee programme than to educate the banking sector on the needs of small and medium scale export financing," said Smith, adding that securitised loans attracted interest rates that were below the base rates, and that the total financing cost would be less than what would be got through banks.

For the scheme to be effected, however, the government will have to grant an exemption clause, since the company's activities will cut across many Acts in the tertiary industry. ■

AAR

Going South

AFRICA Air Rescue (AAR) recently signed an agreement with two major South African healthcare companies: Clinical Holdings Ltd (CHL), and Criticare. CHL runs the biggest chain of private hospitals in South Africa, while Criticare is a rescue company with more than 300,000 members.

The agreement, signed in Nairobi, means that serious cases that need overseas expertise will be handled by CHL, and AAR members who happen to be in the southern Africa region can now be rescued and treated in CHL hospitals.

Following the agreement, all AAR members can now enjoy evacuation and hospitalisation in South Africa, Botswana, Malawi, Zimbabwe and Zambia. These countries will be serviced from Johannesburg and Harare through CHL, Criticare and MARS Harare, in addition to their East African coverage that covers the three East African countries, as well as Ethiopia and Somalia. ■

ENERGY

Higher Taxes in the Pipeline

Accidental message upsets oil industry

When the government lowered the price of jet fuel last week, it dropped a hint that upset oil industry executives. The warning, more accidental than deliberate, was that the value added tax (VAT), on petroleum products may be increased to cream off the benefits accruing to petroleum companies from lower crude oil prices.

The source of discomfort is a one-paragraph circular issued by the permanent secretary in the ministry of finance, Dr Wilfred Karuga Koinange, announcing that the price of jet fuel had been lowered from US cents 95 to 90 per gallon at the Jomo Kenyatta International Airport in Nairobi and Moi International Airport, Mombasa. "The ministry of finance has with effect from 15th February, 1994 (Wednesday last week) reduced the Nairobi and Mombasa price of Jet A1 fuel (or jet kerosene) from US cents 0.95 to 0.90. Please note and act accordingly," the circular said. That implied that the government was conscious of the international business Kenya was losing for maintaining a high cost of jet kerosene to airlines, which have cheaper alternative fuelling points minutes away (from Nairobi and Mombasa) in the East African region.

However, the heading of the circular conveyed a different message. The title of the circular "Revised Oil Tax Rates" seemed to indicate that the government was contemplating increasing VAT on petroleum products. The heading did not agree with the text about lower prices of jet fuel. Instead, it seemed to convey the message that revised taxation on petroleum was in the pipeline, said one executive. Currently, the fast selling super and regular grade petrol carry a VAT of about 30 per cent on the pump price. Any increase, however, is not likely to affect retail prices.

Petroleum companies have reason to worry about higher VAT rates, which will transfer the benefits of lower crude oil prices to the treasury. Crude prices have dropped to about

Planes at an airport: Lower fuel prices

$14 a barrel from over $20 a barrel late last year. Ideally, industry executives argue that their companies should be allowed to recover the losses they suffered last year, when crude prices were high. They had hoped that the government would allow them sufficient time to recover their procurement and refining costs, which are pegged to crude oil prices and exchange rates.

If the firms are not allowed to adequately recover last year's losses, further friction is expected between government and oil industry representatives during discussions on the widely anticipated liberalisation of the industry. Although the industry is expected to be deregulated by July 1, there are serious outstanding issues which have not been resolved thus far. Oil companies, for example, want to be compensated adequately for their investment and operational costs for the past four years. They have persistently argued that they need a higher return on their investment than the eight per cent which was approved by the ministry of energy way back in 1986. They have insisted on a more practical return of at least 15 per cent, considering that other investments, including government bills and bonds, commercial fixed deposits and bearer bonds, yield relatively higher returns. Measured against the inflation which prevailed in the past two years, the rate of return on capital for the oil industry is considerably depressed. "A return of eight per cent is unrealistic and unacceptable in this market," said one executive.

Higher taxation of petroleum products would leave petroleum companies in a worse state because they would not recover their procurement and refining costs, leave alone be compensated for inflation, investment, marketing and working capital costs. Between 1986 and 1989, they suffered losses of Sh650 million on fixed assets, but were forced to write off the losses after negotiations for compensation failed. The losses for 1989 to 1993 are estimated to be similarly substantial, if not much higher, and thus far, there is no consensus at either the treasury or the ministry of energy on whether or how they will be compensated.

Apart from the issue of compensation, there are various other fundamental problems the industry wants cleared before the deregulation of the petroleum market. One of these is the status of the National Oil Corporation of Kenya (NOCK), which, under the current regulated market, has a 30 per cent official monopoly in the importation of crude petroleum. Logically, NOCK should not have an advantage over other petroleum firms. One suggestion is that it should be converted into a marketing company, with retail outlets, to compete at par with other petroleum firms.

A more or less similar problem relates to the position of Kenya Pipeline Company (KPC), which is the only one allowed to move petroleum products from the Kenya Petroleum Refineries in Mombasa to Nairobi, from where the products are distributed by rail and road up-country. The pipeline operated by KPC has now been extended to Kisumu, which implies that KPC will be a monopoly in the transportation of oil all the way from Mombasa to Kisumu. Although KPC's mode of transporting petroleum is the most efficient, secure and environmentally friendly, industry executives argue that the tariffs charged by KPC are not competitive or justifiable, and are raised "too frequently".

With such critical issues still pending, the logistics of developing a free petroleum market are miles away. The time-frame for achieving this, just over four months from now, could be too short for the government to fulfil its commitment, unless the underlying disputes are settled. ■

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COMMENTARY Nation 21.2.94

Kenyans are in the dark about the reform process

By DANIEL KAMANGA

Every time the World Bank "boys" are in town, the Government makes a "major announcement" on its economic reform programme and underlines its commitment to keeping the fire burning.

Last week, Finance Minister, Musalia Mudavadi, further liberalised the Exchange Control Act, sending the clearest signals that the abhorred Act is on its deathbed.

He allowed exporters to keep all their foreign exchange earnings and increased Kenya currency exports from Sh 10,000 to Sh100,000. All that is very nice; the problem is that, like before, the Government had to be prompted into action by the World Bank.

Paradoxically, Mr Mudavadi's predecessor and now Vice-President and Minister for Planning and National Development, Prof. George Saitoti, loved to tell the Press that Kenyans were in control of their economy.

He is on record as having said that the *Sessional Paper No. 1 of 1986 on Economic Management for Renewed Growth* was packaged by Kenyan policy makers and merely endorsed by the World Bank.

The paper may well have been authored by Kenyans, but it is now obvious that those patriotic technocrats lacked the political goodwill to implement, in good time,' what would have turned Kenya into an economic powerhouse in this region.

It's the World Bank which prodded – even to the extent of withholding aid for nearly two years – to get the paper implemented. Over the last nearly one year, the Government has moved fast to meet the World Bank's conditions for the resumption of aid.

It is commendable that the reforms have had little or no adverse social impact, an excuse that Government officials gave in foreign capitals as reason for non-or slow-implementation of the World Bank's Structural Adjusted Programmes (SAPs).

Today, policy makers at the Treasury quip that the World Bank is running the show. Proof: Last week, the Government further liberalised the Exchange Control Act; no prizes for guessing that a World Bank team is in town.

Every time such an announcement comes, a World Bank team is in town. Essentially, there is nothing wrong with having the World Bank "boys" in town; but do they have to be here for us to do what we ought to do?

Mudavadi: Major announcements

Saitoti: Kenyans are in control

The surface explanation is that the Government is, and must be seen to be, transparent in the implementation of various economic reforms. Though one can appreciate this reasoning, the economic impact of haphazard implementation of the reforms is disastrous. Either the Government adopts the "shock therapy" implementation strategy or it makes public the sequence by which the reform programme will be executed.

A good example of the need for clear communication on the reform programme is the manner in which the Exchange Control Act has been ammended. Government officials, including President Moi, have made public pronouncements that the Act will be repealed. Recently, the Deputy Governor of the Central Bank, Mr T.N. Kibua, told an Institute of Certified Public Accountants of Kenya (ICPAK) conference that the Government sees no reason for piecemeal ammendment of the Act.

Speaking less than a fortnight after CBK dismantled the powerful Exchange Control Department, Mr Kibua's comments sent the rumour mills running. Would the Act be repealed the following day? In one or two weeks? Perhaps a month? Next year? Mr Kibua did not give any indication; but he obviously understands the implications. One only needs to look at the performance of the Nairobi Stock Exchange (NSE) to understand how information-sensitive our economy has become.

Investors have been actively buying and selling shares, essentially positioning themselves to take full advantage of a free forex regime. Foreign portfolio holders are already in town, others are monitoring the market, ready to come in.

Unco-ordinated pronouncements by key Government officials are translated haphazardly, people hold back decisions, others make panicky decisions. It is time the Government realised the importance of predictability in business; planning costs money and without well co-ordinated and accurate information, one cannot plan.

While still on the NSE example, it is instructive to note that because of lack of proper flow of information, all the players have been caught with their pants down.

Stockbrokers are working overtime to computerise their operations, others are relocating to better, more spacious premises to meet the demands of clients.

The Capital Markets Authority (CMA) has also been caught with its pants down. It has done little by way of educating Kenyans on the opportunities at the market; sadly, when the Exchange Control Act is finally repealed, thousands of Kenyans will be completely shut out of the market.

The media is also in total confusion and unable to unravel and accurately report on the happenings at the NSE. Obviously, the media houses never trained their staff to tackle the sophistication that the Exchange, indeed the whole economy, is going to be. Instead of setting the agenda, the media is merely recording – rarely analysing – the happenings at the NSE.

In the midst of this confusion, Mr Mudavadi hinted last week that the Exchange Control Act will be history before the end of the current financial year. That gives Kenyans less than four months to position themselves for a free forex regime. Those who have been preparing themselves will benefit enormously, those caught unawares will curse the gods. The Government will also take the flak for sending Kenyans on a wild goose chase.

Paradoxically, the benefits of a liberalised economy could have been shared more equitably if the Government communicated effectively with those it governs. But when one considers the kind of information discussed here, then information is not only power, it has been translated to money.

When the economy is finally fully liberalised, the rich will get richer, the poor poorer. A few shrewd and privileged people – perhaps those who can access information before it is given to the public – will become millionaires.

With a liberalised economy, there will be more poor people, more slums, and more thugs. Kenyans will need a bigger, better trained and more efficient police force to combat crime. The General (sic) Service Unit (GSU) will have to be strengthened to combat pockets of insurgence as hungry, suppressed people find an outlet through social upheaval. It happened in Mexico, it can happen in Kenya.

It may sound remote to link the current economic reforms to a future conflict-torn Kenya. Of course, the wealth will trickle down, but it is obvious that the rich-poor gap will widen. This could have been bridged through greater involvement of the public in economic activity but, sadly, this has not been the case.

Events at the NSE point to the official marginalisation of Kenyans in the on-going reform process. Unsatisfactory attempts have been made at public education on the happenings at the Exchange. When the market is opened for foreign investors, a majority of Kenyans will be baffled. They will be reduced to mere spectators.

The NSE, the CMA and the media will all be guilty. But above all, the Government will have an explanation to make. A government that watches the marginalisation of its people in economic decision-making and hopes to gain their political support is expecting too much. It will not be a wonder for the occurences at the Exchange to ignite, directly or indirectly, the struggle for economic liberation in Kenya.

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FINANCE

Setting an Agenda

Financial institutions form their own society

After several failed attempts to establish their own forum over the past decade, financial institutions have finally formed an association to promote their interests. The Association of Financial Institutions of Kenya was registered as a society late last year, and held its first meeting last week. During the meeting, the managing director of Kenya Finance Corporation (KFC), Mr Dickson Gachuche, was elected chairman. The chief manager of Kenya Commercial Bank's Savings and Loan finance subsidiary, Mr Jeremy Peter Okora, is the secretary, while the managing director of Housing Finance Company of Kenya, Mr Walter Mukuria, was elected treasurer.

The association, which has a membership of 42 finance companies registered under the Banking Act, is the culmination of several attempts by financial institutions to establish a forum through which they could address their common interests and problems. Gachuche explained in an interview last week that at least three attempts to form a forum for finance houses failed in the past, due to organisational problems and lack of co-operation among the institutions. This time around, however, the chief executives of the companies have realised the need to forge a common position, and with the encouragement of the governor of the Central Bank of Kenya, Mr Micah Cheserem, they have created a forum for dialogue with various authorities and bodies.

The principal objective of the association is to promote a healthy financial services sector through various activities, including dialogue with the Central Bank, the Kenya Bankers Association and other organisations in the financial sector. The association, Gachuche said, will also encourage its members to be self-regulating on professional and ethical standards of doing business, stimulate better quality credit, and promote training of their employees.

Even before it was formally registered, the association, in its interim form, had started lobbying for greater recognition of financial institutions as key players in the banking sector. Late last year, the association succeeded in persuading the Central Bank to discard the old practice under which financial institutions were required to buy bankers' cheques from commercial banks to purchase treasury bills. Since then, the finance companies are allowed to buy the bills directly from the Central Bank. In addition, the institutions are now allowed to issue bearer certificates of deposit, provided they satisfy the stipulated requirements for issuing such instruments, said Gachuche.

The association's recognition by the Central Bank is also demonstrated by the fact that they were asked to comment and make recommendations on the amendments being considered in the Banking Act, which regulates the operations of banks and financial institutions. Once the Act is amended, it is widely anticipated that the regulations which restricted finance firms from dealing in foreign exchange and issuing cheques will be relaxed. Consequently, the finance houses may be authorised to transact foreign exchange deals, issue cheques and also establish accounts at the Central Bank for clearing purposes and correspondence transactions with foreign banks.

Although the membership is restricted to finance companies, the association is seeking the approval of the registrar of societies to have building societies admitted into the forum, Gachuche said. All members are represented in the association by their chief executives. Besides the three key officers, three assistants and five committee members were elected during last week's meeting. The vice chairman is Mr Mahmoud Manji, the managing director of Credit Finance Corporation, the assistant secretary is Mr C. Gidoomal, the chairman of Credit and Commerce International, while the assistant treasurer is Mr Peter Bolton, the managing director of National Industrial Credit. Committee members are the executive director of the Finance Institution of Africa, Mr B. Nadkarni, the chief manager of Kenya Commercial Bank Finance Company, Mr J. Muthundo, the managing director of Diamond Trust of Kenya, Mr Nizar Merjani, the general manager of Indosuez Finance, Mr Z. Khan, and the managing director of Delphis Finance, Mr J. Barnes. ■

Man at the helm: Gachuche

Nation: 22/2/94

Reforms a big boost to foreign investors

By MAURICE OTIENO

Last week's lifting of restrictions on the remittance of funds from blocked accounts and the authorisation of off-shore borrowing by resident companies is a major boost for foreign investment.

It will further boost investor confidence in Kenya.

The Exchange Control Act was introduced in the early 1960s, soon after independence, to curb capital flight and protect Kenya's capital base to support investments.

In Thursday's changes, remittances of blocked funds is free for investments made after next week.

Remittances in respect of past investments will be controlled at the rate of US$100,000.

The changes also allow foreign controlled companies to borrow locally.

They have for a long time been restricted from raising capital from the domestic market.

One foreign investor remarked: "Restrictions on foreign controlled firms have been excessive and with price controls, they have constrained the profitability of our firms."

The Government, the investor said, has been investing the blocked funds in its securities for the past two to three years earning as little as three per cent although now they earn market rates.

The inflow of foreign capital in the economy, in whatever form plays a very important role.

Since 1991 private capital flows constituted about 11 per cent of the net capital account flow, rising to about 32 per in the last two years.

But net financial flows from direct foreign investment have been negative, amounting to a net outflow of about U$2 billion in the past 17 years.

Available statistics show that foreign firms now account for 100 per cent of the production of soda ash, 78 per cent of major coastal hotels, 60 per cent of paper milling and re-cycling, 70 per cent of footwear and more than 50 per cent of the assets in the banking sector.

Foreign companies also account for about 40 per cent of merchandise exports. In addition, foreign entrepreneurial participation contributes to the growth of the economy through the transfer of skills and technology.

The Government appears set for the complete removal of controls that tend to discriminate against foreign companies when it comes to repatriation of capital gains and other returns to capital.

A number of tax changes have also been made to improve the investment climate.

Top tax rates have been lowered from 45 per cent to 25 per cent for companies and from 65 per cent to 40 per cent for individuals. Tax on dividends (withholding tax) has been reduced from 15 per cent to 10 per cent and made a final tax. The highest duty rate has come down from about 170 per cent to about 50 per cent.

Last week's announcement puts to rest the indigenisation (Africanisation) policy adopted in 1967 to help reverse years of colonial discrimination against indigenous companies.

By allowing residents with foreign exchange earnings (including non-export earnings) to open foreign currency accounts, the Minister has made it easy for those illegally holding funds outside the country to bring the money back.

However, some analysts fear that such a move could lead to increased capital flight, depleting the foreign reserves.

They argue that the changes might not bear fruit immediately because foreign investors prefer investing in a growing economy while Kenya's is still depressed.

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Nation:
22/2/94

Pioneer horticulture meeting set for city

By NATION Reporter

The first major horticulture cum-floriculture exhibition will be held at the Kenyatta International Conference Centre next month.

The exhibition, dubbed HORTEC'94, will bring together importers, producers, transporters and manufacturers of related accessories in the horticulture sector.

The organiser, Mr Charles Campbell Clause, said HORTEC'94 had already attracted top local and international suppliers.

Although the exhibition was initially organised for suppliers, Mr Campbell said overseas buyers had indicated they would participate in the show.

He said he had received enquiries from buyers in the UK, South Africa, Israel, Italy and France. "All have shown interest in what Kenyan growers have to offer".

Mrs Lorna Loboso of the Fresh Produce Exporters Association of Kenya (FPEAK) said horticulture and floriculture had become the second highest foreign exchange earner after tea.

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23/2/94

BUSINESS AND FINANCE

Firms get KAM backing in row

By SAMUEL NDUATI

The Kenya Association of Manufacturers backs the use of the controversial call back telephone system by local manufacturers as a cost cutting strategy.

Available information shows that the lobby group for the manufacturing sector had strongly recommended the use of the service by the local business community, especially in negotiating export contracts.

It had prepared a detailed analysis of the cost benefit of the system and recommended, certain firms that provide the service before the Kenya Posts and Telecommunication declared the service unauthorised in Kenya.

The call back service, provided by some firms in conjunction with some local companies as agents, accesses subscribers to the US telecommunication system where they can telephone anywhere in the world as if from the US.

The KPTC last week threatened to cut-off from the Kenyan telecommunication's network any subscriber using the system.

However, the corporation has been challenged by a group that admits acting as agents for the US companies in the business to state which law it was using to deny subscribers cheap international telephone services.

They argue that the KPTC gets it money through standing charges and in-coming calls and its role ceases once a subscriber gets into the international network.

The parastatal has not answered the group, but some subscribers said they had started receiving threats of cut-off from the corporation if they did not stop.

One caller said he had received a call warning him to stop using the call back system or risk disconnection.

The KAM letter to the industrialists said it had come to its attention that telephone calls and fax to any country in the world could be routed through the US and at discount rates.

For global access to Australia, it said, the cost was $1.93 compared with KPTC's $7.20 charge, a saving of 73.19 per cent.

For calls to France, the subscriber would only pay $1.83 instead of $5.43 and to Germany $1.93 instead of $5.43.

To Hong Kong and Israel, the subscriber would end up paying $2.08 and $2.62 instead of $7.20 for both destinations.

It put the charges for Italy at $2.24 instead of $5.43 and to Japan at $1.97 instead of $7.20.

To call within the US itself, KAM said the business people would only pay $1.60 instead of $5.43 and to the UK $1.81 instead of $5.43.

The association's letter said the only requirement was for the subscriber to have an international credit card to serve as security in case of default.

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Nation Friday 25/2/94

KAM lauds reforms

NATION Reporter

The Kenya Association of Manufacturers (KAM), yesterday commended the Government for further liberalising exchange controls.

The KAM Chief Executive, Mr J.W. Kuria, also praised the Government for arresting and prosecuting Customs and Excise officials involved in fraud.

Mr Kuria said in statement that these measures would go a long way in creating confidence and promoting investment.

Last week the Government allowed exporters to keep 100 per cent of their export earnings. The foreign exchange retention accounts were replaced by foreign accounts open to anyone with access to foreign currency.

Foreign-owned companies were also allowed to borrow locally.

Hortec attracts top names

BOTH growers just venturing into the horticulture export industry and those already well-established in the field will benefit from seminars lined up as part of next month's ABN-AMRO-sponsored HORTEC '94 exhibition. The show, which is set for March 16-19 at the Kenyatta International Conference Centre has already attracted some of the top names in horticulture and floriculture from Kenya and around the world.

Topics to be discussed at the seminars include financing new fresh cut flower ventures, the latest technology in freight, an update on European Union import regulations, development of the Kenyan horticulture industry over the past 10 years, behind the scenes at the Dutch Auction House, export financing, pesticides and many more.

Speakers will include representatives from the Kenya Export Development Society (KEDS), the Fresh Produce Exporters Association of Kenya (FPEAK), the Horticultural Crop Development Association (HCDA), sponsors and leading horticulture/floriculture financers ABN-AMRO, the Dutch Auction system, and the Netherlands Ministry of Agriculture.

Anyone involved in — or wanting to know more about — the horticulture and floriculture industry will find the latest products, know-how and technology on display at HORTEC from local giants like Homegrown, East African Packaging Industries and Amiran (K) Ltd.

Mr Eli Gertler, an Agronomist with Amran, says his company feels the time is right for an exhibition like HORTEC: "I think this market is very mature, and the image of Kenya flowers, in particular, has become very important around the world. It is a serious market, and one that is becoming difficult to penetrate." For that reason, he says, it is important that growers are able to see — under one roof and at one time — what technology and know-how are available to them.

HORTEC sponsors ABN-AMRO Bank will be present at the show, providing details of their finance services. "Forty per cent of fresh flowers exported are vented through our bank," says ABN-AMRO General Manager, Mr W.A.E.J. Lemstra. "Although we are the biggest floriculture export bank in Kenya, we would of course like to expand that a little more. The biggest flower auctions in the world are in the Netherlands, so the connection is very important"

And, as flying Kenya produce and flowers to Europe and beyond is one of the specialities of KLM Royal Dutch Airlines, the airline will be present at the show to let current and potential customers know about the latest improvements and features of their cargo services.

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BUSINESS AND FINANCE

Hortec'94 attracts 60 foreign firms

By MAURICE OTIENO

Nearly 60 foreign participants have already confirmed their participation in the first Kenyan International Horticultural exhibition to be held next week.

Ironically only one local firm, Home Grown Ltd, has so far registered to participate in the show.

A local exporter who requested anonymity said the stands at the Hortec'94 exhibition were too expensive. Exhibitors have to pay Sh160,000 for a stand, he said.

Mr Joseph Lyomu, the General Manager of Fair View Flora, also said the stands were too expensive for local exhibitors.

"The exhibition is a very good idea and the organisers should be thanked for it. However they have priced many local participants out of it. Sh160,000 per stand is too high an amount to charge for a three-day exhibition," he said.

Another local exporter said the exhibition had been "over commercialised". He said the Government should intervene by way of subsidising local exhibitors.

"This has been the only growing sector in the entire economy in the last two years. The Government should not take the exhibition lightly," he said.

The exhibition, dubbed "Hortec '94", will be held at the Kenyatta International Conference Centre from March 16 to March 19. It is sponsored by the ABN-AMRO Bank.

Mr Charles Campbell-Clause whose firm, Event and Conference Organisers Ltd, is involved in the preparation of the show said many foreigners had shown interest in it.

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The Standard: Wednesday, March 9, 1994

Exhibition to boost trade

By Alfred Omondi

AN official of the Uganda Export Promotion Council, Mr H. G. K. Nyakaajo, has hailed the revival of co-operation among East African states saying it would boost investment and economic growth in the region.

Mr Nyakaajo, who is the acting Executive Secretary of the Council, told *The Standard* that there had been overwhelming response and support from Kenyans willing to do business with their Uganda counterparts.

He made the remarks at the ongoing "New Uganda Exp '94" trade exhibition at the Kenyatta International Conference Centre, Nairobi. The ten day exhibition is organised jointly by the Uganda Export Promotion Council and Contact Africa.

Mr Nyakaajo conceded that there had been a lot of difficulties in urging Ugandan businessmen to come and exhibit in Kenya "because most Ugandans still believe that the Kenyan market is very difficult to penetrate even after the economic reforms".

"Kenya has traditional ties with Uganda which started with the construction of the railway line and this should enable us to do business together," he said. If we succeed here, then we shall, go into Zambia, Zimbabwe, Ethiopia and other countries within the P.T.A. region".

Among the Ugandan companies exhibiting are: Reco Industries, Uganda Railways Corporation, which is the largest overland passenger carrier and cargo haulage in Uganda. Bundle Industries Limited, who are producers of Kaolin (China/clay), and Sembule Electronics which is Uganda's premier manufacturers of electronics, televisions, radio cassettes and telecommunication equipment.

Views on exports sought

By Hussein Mohammed

BUSINESSMEN were yesterday challenged to forward practical recommendation to the government on ways to promote exports and achieve economic growth.

The Permanent Secretary for Commerce and Industry, Mrs Margaret Githinji, noted that it was timely and appropriate to review progress made so far in implementing export development programmes and on critical issues that need to be addressed.

Mrs Githinji's remarks were contained in a speech read by her deputy, Mr Green Josiah, during the opening of a one-day workshop on Policies for Export Promotion and Growth: African and Asian Countries Experiences.

She observed that the workshop intends to examine the policy, institutional, and infractural lessons from the East Asian countries, which over the last two decades, have been successful in export promotion efforts.

She hoped that the recommendation accrued from the workshop would be practical and take into consideration the unique political, economic and social circumstances that exist in the East African region.

9/3/94

Private sector top hope for economy's future – Githinji

By SAMUEL NDUATI

Kenya's economic development strategy in the 1990s is to encourage a more rapid and private sector oriented growth, the Permanent Secretary for Commerce and Industry, Mrs Margaret Githinji, said yesterday.

She said that towards this end, the Government has since the mid-1980s put in place a series of policy measures to establish an enabling environment while at the same time addressing some of the major structural problems constraining growth.

Her speech was read on her behalf by a Deputy Secretary, Mr Green Josiah, during the official opening of a one-day conference on "Policies for Export Promotion and Economic Growth: African and Asian Experience," held at the Hilton Hotel, Nairobi.

The seminar was co-sponsored by the International Centre for Economic Growth (ICEG), and the Kenya Export Processing Zones Authority. The guest speaker was Dr Somsak Tambunlertchai, a scholar from South East Asia.

Mrs Githinji said a series of policies have already been implemented which will ensure that the private sector is allowed to play an even larger role in the economy.

"These include a more efficient and liberal trade policy through tariff reform, liberalisation of imports, decontrol of prices, regulatory reforms on foreign exchange and a strengthened system of incentives for the promotion of investment and exports," Mrs Githinji said.

The PS said Kenya's prospects for increased non-traditional exports were promising due to the development of skilled manpower resources which provides a firm basis for expansion of export-oriented industrial products.

She added that with the current labour surplus situation, the sector has at its disposal an abundant and low cost labour supply which gives Kenya a comparative advantage in the production of intensive off-shore manufacturing activities such as in clothes, leather and footwear products.

She said Kenya could also expand its export and manufactured goods by improving product design and engaging in aggressive promotional activities.

On horticulture and artifacts, the PS said the potential for further expansion is unlimited.

She noted that the annual growth for the trade had averaged 25 per cent per annum over the past five years.

She added that Kenya has the ideal climate for a wide range of tropical fruits, vegetables and flowers.

She urged the private sector to fully utilise the incentives offered to diversify their exports.

Mr Githinji said that from the experience of the Newly Industrialised Countries in Asia, there was a concensus by observers that the success is inherent in the economic policies geared towards a free market enterprise mechanism as well as a liberalised foreign trade policy.

45 companies for Hortec'94

By NATION Reporter

The organisers of the first Kenya International Horticultural Exhibition (Hortec '94), yesterday clarified that 45 exhibitors have so far registered.

They include 27 local organisations and 18 non-Kenyan organisations.

In our yesterday's *Nation* it was erroneously reported that 60 foreign firms had confirmed participation and that only one local company had registered.

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HORTEC '94

March 16-19
Kenyatta International Conference Centre

Seminars, Big Names Feature at Kenya's First International Horticulture & Floriculture Trade Exhibition

HORTEC '94, the first International Horticulture and Floriculture Trade Show to be held in the region, will be officially opened by the Minister for Agriculture, Livestock Development and Marketing, Mr Simeon Nyachae, tomorrow. The show runs until March 19 at Nairobi's Kenyatta International Conference Centre, and has attracted 45 exhibitors, representing some 60 different companies both here and around the world. Fourteen Dutch companies have flown out to take part in the event, and joining them are companies from Germany, Israel, South Africa, Zambia and the United Kingdom.

The organisers are extremely pleased that HORTEC is sponsored by the prestigious ABN-AMRO bank. Mr W.A.E.J. Lemstra, the bank's General Manager, explained that the link-up was a natural one. "Forty per cent of fresh flowers exported are vented through our bank. Although we are the biggest floriculture export bank in Kenya, we would of course like to expand that a little more. The biggest flower auctions in the world are in the Netherlands, so the connection is very important." ABN-AMRO will also have a stand at the show providing details of their finance services.

Anyone involved in — or wanting to know more about — the horticulture and floriculture industry really shouldn't miss HORTEC '94. In addition to the valuable seminars scheduled throughout the first two days of the show, visitors will be able to get themselves up-to-date on what's happening in the horticultural field from both foreign companies and local giants that include Homegrown, East African Packaging Industries and Amiran (K) Ltd.

One of Kenya's leaders in horticulture and floriculture products and services, Amiran will be showcasing everything from greenhouses, shade coverings, the latest irrigation systems and planting materials to insecticides, fertilisers, bulbs, plant propagation and consultancy services. Representatives from Amiran's major suppliers of equipment and planting materials will be on hand to give advice, as will agents for several major Israeli plant propagators represented by Amiran in Kenya.

Also represented at the ABN-AMRO-sponsored HORTEC '94 will be companies such as Bank Indosuez; Hardi Kenya, who specialise in backpack sprayers; Thomas White who will feature batteries; and Booths, who deal in aluminium irrigation systems.

Displaying their non-lethal electric fencing at HORTEC will be Sanyati Limited, who will have a working model of their fencing at the show — along with an elephant!

Massey-Ferguson, together with Farm Machinery Distributors, will be launching a special application tractor (Narrow Gauge) at HORTEC '94. They will also have on display a range of Powerstations which will undoubtedly be of great interest to horticultural growers.

A variety of packaging products will be on display at the Allpack, Dudhia Packaging and East African Packaging Industries (EAPI) stands. EAPI, the largest manufacturers of corrugated containers in East Africa and the major suppliers of die-cut boxes to the export business in Kenya, will be exhibiting samples of all their latest boxes.

Also on hand at HORTEC '94 will be many of the experts in the chemicals and pesticides field, including Rhone-Poulenc and Orbit to Bayer East Africa Ltd, who, in addition to displaying their new pesticides, will have horticultural experts at their stand to discuss the latest advances in plant protection and integrated pests management.

At least two specialists in the rose business will be sharing their expertise at the show: Horticulture Nurseries Ltd of Athi River and Noordam Roses. Noordam will have their Dutch consultant will be on hand to answer any questions, and, in addition to Noordam's new feasibility study service, they will launch several new varieties of roses to the Kenya market at HORTEC '94.

Remco Ltd, who specialise in commercial refrigerations, air conditioning and ventilation systems, will feature their optimum humidity and temperature controlled cold storage facilities, which are so vital to this industry.

Flying Kenya produce and flowers to Europe and beyond is one of the specialities of KLM Royal Dutch Airlines, and the airline will be present at the show to let current and potential customers know about the latest improvements and features of their Cargo services. The company has specially flown in from Holland their Transport Manager, Perishable Cargo, to answer questions at their stand about new technology and European Union (EU) guidelines with regard to import/inspection and use of pesticides.

Homegrown Ltd, one of Kenya's leading exporters of fresh fruits and vegetables, will be a prominent feature of HORTEC — providing a shining example of what can be achieved in horticultural export in Kenya.

Complimentary tickets for the show can be arranged by contacting Event & Conference Organisers (Box 24576, Nairobi; Tel 446862/4, 445800; Fax 443267), or tickets can be purchased at the door for Kshs 300. The show is open each weekday from 10 am to 6 pm, and Saturday from 10 am to 3 pm.

Journalist of the Year Award

Entries/nominations being accepted at the ACCE secretariat,
University of Nairobi Education Building,
P.O Box 47495, Tel 334244 ext 28080,28068

Entries should be accompanied by appropriate material, ie copies, newspaper and magazine clippings, video clips etc to be reviewed by the judging panel. All material must have been published or broadcast in the Kenyan media in 1993

DEADLINE: 22nd MARCH, 1994

HORTEC '94

Seminar Schedule

(Seminars are free of charge to all show visitors)

Wednesday, March 16

10 am "How to Get the Most out of an International Trade Show" by Paul Guenette, Chief of Mission, KEDS

11.30 am "The Horticultural Industry in Kenya" by Mrs Lucy Waithaka, General Manager Operations, HCDA and Mr David Grey, Chairman, Marketing Committee, FPEAK

1 pm "From Airline to Careline" by Mr W.C. Aardema, Transport Manager, Perishable Cargo, KLM Airlines, Holland

2.30 pm "The Netherlands Pesticide Policy in a Kenya Context" by Mr Chris Maan, The Netherlands Ministry of Agricuture

4 pm "Alstroemeria, Carnations, Limonium & Rights of Growers" by Mr Van Andel, Van Staaveren BV, Holland

Thursday, March 17

10 am "Financing New Fresh Horticulture Ventures in Kenya" by Mr Chris Shaw, Flower Grower, Limuru

11.30 am "The Problems, Challenges and Opportunities that the Horticultural Industry in Kenya Faces" by Mr Laban M Omangi, ABN-AMRO Bank

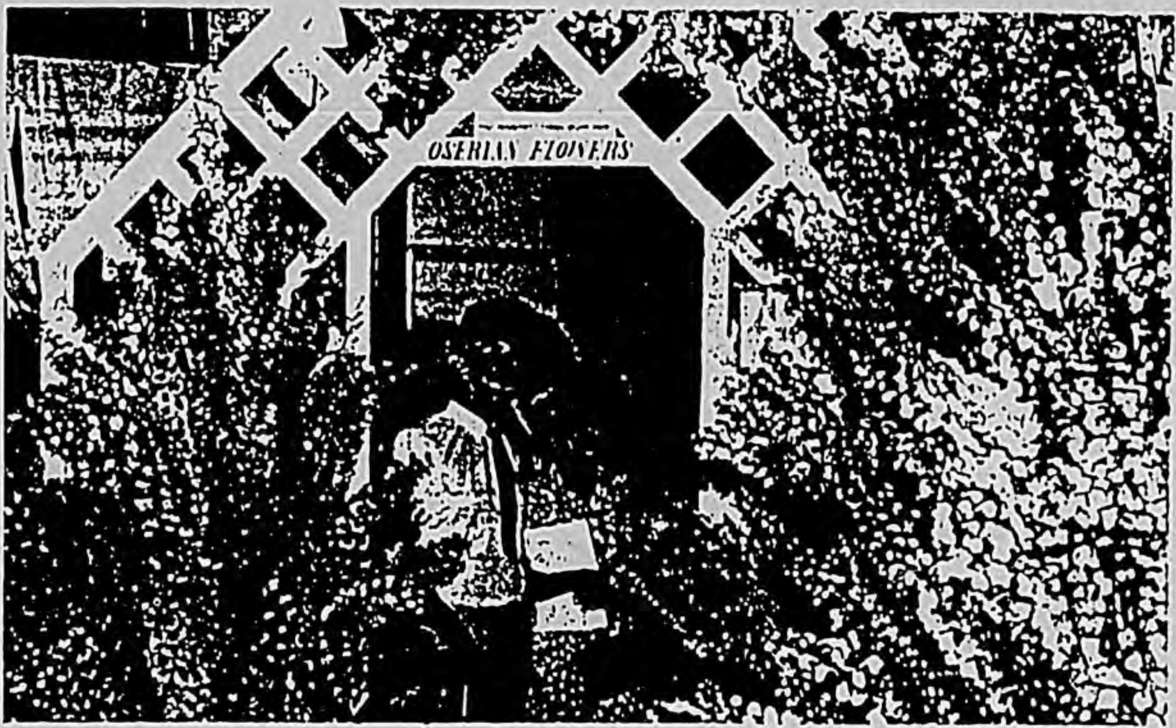
1 pm "Export Horticultural Packaging from East Africa" by Mr Ian Cameron, Sales Manager, E. African Packaging

2.30 pm "Quality as a Marketing Tool" by Mr P. Pardon, Flower Auctions, Holland

3.30 pm "Basic Guidelines on Inspection Services for the Horticultural Industry" by Mr Lawrence Lusiola, Quality Manager, S.G.S., and Mr Dominic Murerithi, Laboratory Manager, S.G.S.

Sponsored by ABN·AMRO

A Unique Trade Show



Horticultural produce for export: Bringing importers, exporters producers, transporters, and manufacturers together

Hortec '94, the three day ABN-AMRO Bank sponsored horticulture and floriculture exhibition, promises to be a unique trade show for importers, producers, transporters and manufacturers of accessories for the fresh produce sector, which is fast becoming one of the major foreign exchange earners.

Apart from being the first international horticulture and floriculture fair to be held in Kenya, participants will benefit from a series of seminars scheduled for two days on specific facets of the industry, including the benefits of trade fairs, airfreight technology, marketing, and financing. Several products and services will be launched during the event, which opens on Wednesday and closes on Saturday, at the Kenyatta International Conference Centre (KICC).

Forty-five exhibitors representing 60 companies have confirmed participation, out of which 27 are local. Holland, which boasts the biggest flower auctio[illegible]ep-resented by 14 companies, an[illegible] be joined by companies from Germany, Israel, South Africa, Zambia, and the United Kingdom, which is the main destination for Kenyan horticultural exports.

The companies featuring at the show include the sponsor, ABN-AMRO Bank, which services about 40 per cent of the industry's banking needs. "Although we are the biggest floriculture export bank in Kenya, we would of course like to expand that a little more", says ABN-AMRO's general manager, Mr W.A.E Lemstra, who sees the exhibition as a ground breaking forum to draw increased attention to the industry.

A leader in floriculture products and [illegible]ces, Amiran (K) Limited, which rep-[illegible]s several Israeli plant propagators, will display greenhouses, shade coverings, irrigation systems, inputs and consultancy services. Noting that the horticultural market is becoming difficult to penetrate, an agronomist with Amiran, Mr Eli Gertler, says the exhibition will offer growers a chance to see what technology and know-how is available to them, all under one roof.

Among local companies at the show,

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Hardi Kenya will feature with backpack sprayers, Thomas White with batteries, and Booths with aluminium irrigation systems. Sanyati Limited will display a 100 per cent monitored non lethal electric fencing, while Massey Ferguson will launch a special application tractor ideally suited for horticultural use.

Three packaging concerns, Allpack, Dodhia Packaging and East African Packaging Industries, the major suppliers of die cut boxes to the export business, will also be on show. Rhone Poulenc, Orbit and Bayer East Africa Limited will offer tips on plant protection and insecticides. The Athi River Horticultural Nurseries and Noordam Roses will foster discussions on the fast growing rose business, with the latter launching a new feasibility study service and several new varieties of roses.

Remco Ltd, which launched the "Filacell" cooling system, which is said to be one of the best in the world, will show their commercial regrigerations, airconditioning and ventilation systems,

Horticulture farm: huge capital outlay required

which are important in ensuring fresh produce does not wither before it reaches the export markets. KLM Royal Dutch Airlines will be showing features of their cargo services.

Initially organised with suppliers in mind, the event was opened up to buyers from the UK, South Africa, Israel, Italy and France who were eager to see what Kenyan growers had to offer. They may not be disappointed. Homegrown Limited, one of Kenya's leading exporters of fresh fruits and vegetables, will present their elite products.

The exhibition organisers, Events and Conferences, have organised a forum that will capture the intricacies of the perishable industry, from the farm to the market. The event was the brainchild of the company's managing director, Mr Charles Campbell Clause, who felt there was need to let growers in the fastest growing export industry have easy access to latest products, technology and know-how.

Small scale exporters in the industry, however, feel the event has been turned into an elite showcase, as they consider stand charges, at Sh160,000 for three days, to be prohibitive. They feel that when the event becomes an annual extravaganza, the organisers should have stands of various sizes to serve the needs of small companies, whose finances are limited.

For public relations purposes, observers have suggested that the event should be publicised adequately in both the electronic and print media to draw the broad participation of players in the industry.■

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Much needs to be done, but the potential is enormous

Kenya's latest find in foreign exchange earnings, the horticultural industry, experienced a meteoric rise over the last two decades, but recent trends indicate the honeymoon could be over as quality declines in the face of rising competition from other producers. The industry's woes stem from prohibitive overheads, which have sparked off fears that the industry might outprice itself in the cut-throat European markets, which have enforced stringent legislation on minimum chemical residue levels (MRLs) acceptable on fresh produce. With competition beefing up from West Africa and Portugal, which are proximate to the European Union (EU) (formally the European Economic Community), the industry is stifled by poor crop production and unreliable delivery patterns, which are causing big quality losses on perishable produce.

Export statistics of fresh fruits, vegetables and cut flowers show that export volumes and value increased substantially over the last decade, but the real earnings have been manipulated by the shilling's rapid depreciation against convertible currencies. The data, which was released by the Horticultural Crops Development Authority (HCDA), shows that between 1982 and 1991, volume doubled from 21,600 tonnes to 49,850 tonnes, while prices rose sevenfold from Sh13.60 to Sh98.10 per kg.

Considerable growth has been witnessed over the last two years. Production in 1992 was reported at 40,000 tonnes, which fetched Sh4.3 billion, compared to Sh3.6 billion in 1992, making horticulture the third largest foreign exchange earner after tea and tourism. Last year, the industry expanded by eight per cent to 43,200 tonnes, two percentage points below the projected annual growth rate of ten per cent. The decline in production reflects the prolonged drought, which has also taken its toll on produce quality, and the high cost of production arising from expensive inputs and high freight charges.

The production trends also indicate that local horticultural produce is sensitive to market changes, and is less price competitive when subjected to strong market onslaughts.

To raise the competitive edge, the Fresh Produce Exporters Association of Kenya (FPEAK), says growers should introduce more scientific husbandry at farm level, and improve the produce's value added through processing and market diversification. The general feeling is that a lot remains to be done if the horticultural industry is to stand tall in highly aggressive markets. Exporters said monitoring on the use of approved chemicals by growers was difficult due to inaccessibility, while drought wreaked havoc on weather reliant farms. The pinch of prohibitive input costs, which leads to crop abandonment, was aggravated in 1992 when HCDA stopped its spray programmes on tree crops, although it continues to charge 25 cents per kilo for research and development.

To boost quality production, exporters have started farm divisions manned by agronomists to advice farmers on crop culture, subsidise input costs and assist in land irrigation. Such services are only provided to contract growers, and most exporters are organising farmers into group schemes and setting up large scale plantation estates for easier co-ordination. Crop delivery is a major handicap for exporters, who collect the produce from farmers at designated points, due to poor and seasonal access roads, which cause breakage of installed cold facilities. Processing, though essential for value added, is hampered by the huge capital outlay required and scarce financial pools for credit facilities. The problems encountered in the production process, however, pale in comparison to the uplift hitches encountered at the Jomo Kenyatta International Airport (JKIA). The farmers have to contend with exorbitant cess from the monopolistic Kenya Airfreight Handling Limited which charges 55 cents per kilo, after which the airlines

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flower show: Highly competitive market

charge $1.5 per kilo uplifted. The cargo uplifters had last year proposed to increase the freight charges to $1.92, citing the high cost of jet fuel, which was then $0.95 per gallon, but has since been reduced to $0.95. Citing inadequate cargo space, which is taken over by passengers during peak seasons, exporters say a freight cost of $1.32 per kg would be acceptable.

In marketing, the trade has to contend with growing competition from East and West Africa, and has lost substantially to Spanish greenhouse growers in the European market. Penetration into the lucrative US market is restricted by tough legislation on chemical residue, but the Middle East market is slowly recovering from the market constriction experienced after the 1991 gulf war. Exporters must also be worried by changing market patterns. Kenya's dominance of the Asian vegetables market is threatened by Portugal and other African countries, and its niche in the UK market had started to decline until recently when it was boosted by introduction of repacks, snow and snap peas, runner beans and aggressive marketing of cut flowers. Kenya's green beans, which account for 40 per cent of the world trade and a third of Kenya's fresh produce exports, need to be repacked in response to consumer preference for easy to cook food, and to fetch higher prices. Studies show that repacking in developing countries is less costly as it is labour intensive. Cut flower production, an area with potential for growth, is hampered by huge capital outlay required, especially for roses which require $500,000 per hectare to establish. Cut flower business has been a preserve of a few big farms based around Lake Naivasha, which produce carnations, statice, astromeria and roses. Non availability of seedlings is a major concern for both flower and vegetable growers, as Kenya is not a signatory to the International Plant Breeders Rights. Industry sources say Kenya's diversified ecology has great potential for horticultural development and, with a large unexploited labour pool, the labour intensive industry has a future. Moreover, they contend, the fast potential has attracted donors who are chipping in to fund small scale irrigation projects, and handling, and engineering services for the sector. With aggressive marketing, through trade fairs such as Hortec '94, they feel the industry will be put back on track. ■

Exports: EPC boss calls for co-operation

By MAURICE OTIENO

The private and public sectors should co-operate in order for Kenya to achieve its export promotion goals, it was said yesterday.

The advice came from the Chief Executive of the Export Promotion Council (EPC), Mr Peter Muthoka, who, however, added that individual exporters had a great responsibility in the export drive.

Mr Muthoka was opening a round table discussion on "Establishing Strategies for Export-Oriented Industries, Lessons from Japan and East Asia" held recently at a Nairobi Hotel.

The the role of the Government, he said, was to provide a suitable and conducive environment, to open doors and to enable business persons to compete successfully in the international market.

He said export-led growth was vital for rapid growth of incomes in developing economies such as Kenya's. He said there were important lessons to be learnt from countries like Chile, China, Malaysia, Mauritius, Mexico and others which had achieved rapid export growth.

The Executive Director of the Japan External Trade Organisation (JETRO), Mr Hiroyuki Wakabayashi, said he was satisfied with the measures Kenya was taking to stimulate export growth. His organisation had been involved in a series of export promotion activities in the country.

Professor T. Yanagihara from Japan, who was the the guest speaker, said developing countries had other options besides the world Bank model for trade liberalisation.

He advised developing countries not to ignore their own industrial base so as to sustain their export sectors.

He is a professor of economics at Hosei University in Japan.

The discussion was organised by Jetro in collaboration with the Export Promotion Council and the Kenya Association of Manufacturers (KAM).

Meanwhile, the Chairman of the Nairobi Stock Exchange (NSE) Mr Jimnah Mbaru, says Kenyans should promote South-to-South trade in order to to obtain cheaper medical products.

He said the present arrangement where the pharmaceutical industry in Africa imports mainly from Europe and North America because of global market segmentation ought to be revised. This, he says, can be done through full trade liberalisation.

Mr Mbaru was delivering a speech at the annual dinner dance of the Kenya Association of Pharmaceutical Industry at a Nairobi Hotel at the weekend.

He said full liberalisation of trade would enable developing countries like Kenya "to identify cheaper sources for raw materials and finished products such as medicines. The Far East and in particular, India, was one such source, he said.

Mr Mbaru said international trade liberalisation and in particular South-to-South trade liberalisation required the full attention of the international community.

This should be done "if the World Health Organisation (WHO) wishes to achieve its global goal of health for all (by the year 2000)," he said.

The NSE chairman challenged the World Bank, IMF, GATT and others who wish to see developing countries improve their health services to initiate efforts towards South-to-South trade liberalisation.

He said Structural Adjustment Programmes had affected the health sector and the pharmaceutical industry.

He advised the industry to take advantage of the PTA market to counter falling domestic demand.

"By focussing on the PTA market you are likely to exploit maximum returns due to large scale production and the exploitation of full scale capacities," he said.

The Jetro Executive Director, Mr Wakabayashi (right) listens to Mr Muthoka as he address the round-table discussions.

Seminar ends

Many developing countries are unable to properly utilise development aid because of lack of proper preparation and management skills, a top regional management official said yesterday.

Speaking at the Jomo Kenyatta International Airport, the acting Director General of the Arusha-based Eastern and Southern Africa Management Institute (ESAMI), Mr Grace Musoke Lwanga, said that while donors were clear in marketing their aid package, the recipients behaved as though they were not prepared for it or were unaware of how to manage the funds donated.

He said ESAMI would continue to organise workshops on research and training for middle and top level cadres to ensure effective management of donor aid.

Mr Lwanga had been to the Seychelles where he led a team of 13 East and Southern African regional Ministers of Finance and Planning to a week's seminar on management of development and technical assistance.

The meeting highlighted the urgent need for governments to formulate policy frameworks and mechanisms for coordinating development aid.

Kenya was represented by an Assistant Minister in the office of the Vice-President and Ministry of Planning and National Development, Mr Reuben Oyondi.

Another seminar will be held in Kampala, Uganda, for the same cadre of government officials next month. (KNA)

Lobby groups criticised

By ODHIAMBO-ORLALE

Lawyers and accountants were at the weekend accused of unfairly lobbying for their inclusion in a Bill now before Parliament that would make them eligible to become company secretaries without sitting for examinations set by the Kenya Accountants and Secretaries National Examination Board (KASNEB).

The Board's Secretary, Mr Erastus Gitau, said the two professional groups had sneaked their names into the Bill on the Institute of Certified Public Secretaries of Kenya (ICPSK) which was tabled in Parliament in November 1988 and was about to be passed.

He partly blamed KASNEB for allowing this to happen. "We were afraid that if we objected, the Bill would be delayed and would have died when Parliament went on recess (in December)," he said.

Mr Gitau was addressing students at the Kenya Polytechnic on Saturday.

The students claimed that they were being discriminated against by the local universities because the institutions refused to recognise their certificates.

The meeting was called to explain to the students what was expected of them in the exams and job prospects.

Answering a question on the inclusion of the lawyers and accountants in the ICPSK Bill, Mr Gitau said lawyers and accountants had not been included in the first draft but their lobby groups later successfully canvassed for their inclusion.

Mr Gitau denied that they fixed the number of students to pass the professional examination every year.

Nation March 17-1994

Govt waives duty, VAT on fertiliser

By MAURICE OTIENO

The Government yesterday exempted from import duty and Value Added Tax (VAT), equipment, fertilisers and chemicals for agricultural use.

The Minister for Agriculture, Livestock Development and Marketing, Mr Simeon Nyachae, said the move was to make producers competitive internationally.

He said the move, coupled with the recent liberalisation of imports, would encourage investment in the sector.

He urged investors especially in horticulture to take advantage of the move.

He was officially opening the Hortec'94 exhibition at the Kenyatta International Conference Center.

Mr Nyachae said the Government would continue supporting the horticultural sector, particularly the cut-flower farming in order to "make flowers one of the largest foreign exchange earners in the country".

The Minister said that fruit processing would be the emphasis for the future development of the horticultural sub-sector.

He added that this would ensure that the country produces high quality fruit and the best varieties both for export and processing.

He said last year, fresh horticultural exports rose to 62,129 tons, an increase of 8.3 per cent over 1992, fetching Sh4.7 billion.

He added that exports of processed pineapples, macadamia nuts, passion fruit concentrates and French beans totaled 90,000 tons valued at Sh3.3 billion.

See picture Back Page

Ms Jane Mbote (left), one of the organisers of the on-going Hortec exhibition at KICC, explains a point to a guest who was among the hundreds of people who attended the official opening yesterday.
•Report on Page 12. (Picture by REBECCA NDUKU)

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Standard March 17, 1994

KEDS boss advises on exports

By Alfred Omondi

KENYAN horticultural exporters have been called upon to strive to improve the quality of their products in order to keep pace with changes in the world market.

The Chief of Party of the Kenya Export Development Support (KEDS), Mr Paul Guenette told participants at a seminar during the Hortech' 94 exhibition in Nairobi, that higher value products was paramount in determining the success of Kenyan exports internationally.

Mr Guenette who presented a paper on "How to Get the Most Out of an International Trade Show", said exporters must be careful when choosing which shows to participate in depending on the products they produced.

"If you are dealing with mangoes then you should make sure you do not choose the wrong show," he said.

He said it was also advisable for exporters to be informed about their target audience and market in any given exhibition and also the manner and mode of displaying their products.

HCDA official decries high horticultural freight charges

By Alfred Omondi

THE General Manager (Operations) of the Horticultural Crops Development Authority (H.C.D.A.) Mrs L. Waithaka yesterday decried the high freight charged on horticultural exports saying it was a major hindrance to export development.

She said that the high freight charges on horticultural exports had rendered Kenyan produce less competitive in international markets and also discouraged small and medium scale producers who find the rates unaffordable.

Mrs Waithaka made the remarks while addressing participants during the Hortech '94 seminar at the Kenyatta International Conference Centre, Nairobi.

She noted with interest, that major developments in sea transport for exports had been made, and that bulky produce such as avocados and mangoes were increasingly being exported by sea.

Mrs Waithaka stated that lack of adequate handling and refrigeration facilities had also been a major hundrance to horticultural development.

Kenya Times: Friday, March 18, 1994

Look at this, its beautiful...Minister Simon Nyachae (2nd right) admires roses for export at Homegrown, Kenyan stand during Hortec 94 exhibition at the Kenyatta International Conference Centre on Wednesday evening.
— Picture by KIPKORIR KENIK

NOW V.A.T. WAIVED ON CHEMICALS, FERTILISER

By PAUL MUHOHO

THE Government has announced splendid news to farmers — a waiver from import duty and Value Added Tax (VAT) on equipment, fertilisers and chemicals.

This incentive, coupled with the recent liberalisation of imports, is expected to encourage investiment and make local producers competitive in the international market, the Minister for Agriculture, Livestock Development and Marketing, Mr Simeon Nyachae, said.

The Minister said on Wednesday the Government was committed to supporting the horticulture industry particularly the cut flower farming so as to make flowers "one of the largest foreign exchange earner in the country".

Mr Nyachae, who was officially opening the Horch '94 Exhibition at the Kenyatta International Conference Centre, said about 250,000 small-scale farmers depended on the production of horticulture in the country for their livelihood.

Last year, he noted, fresh horticultural exports rose to 62,129 tonnes, an increase of 8.3 per cent over the total fresh exports for 1992, chalking some Sh4.7 billion. The processed exports of pineapples, macadamia nuts, passion fruit concentrates and fresh beans amounted to 90,000 tonnes fetching Sh3.3 billion.

The exhibition, the first international horticulture and floriculture trade fairin East Africa, has attracted 28 local and 19 overseas exhibitors representing 60 companies. Among foreign exhibitors 14 from Holland three from South Africa, one from Germany and one from Zambia.

Mr Nyachae challenged farmers to use modern technological equipment and planting material to improve on their yields production compacity and quality of produce.

The Minister appealed to the horticulture farmers to adopt the new marketing methods of produce, pre-cooling and pre-packaging so that supermarkets could easily handle their products.

Fruit processing, he said, would be the emphasis for the future development of the horticultural sub-sector and this would ensure that the country produces high quality fruit of the best varieties for export and processing.

• Fresh produce exports are now Kenya's third largest foreign exchange earner, the organiser of Hortech '94 Exhibition Mr Charles Campbell Clause, says.

Kenyan fresh produce exports for 1992 increased over 1991 by 15 per cent while in 1993 over 1992 increased again by 8 per cent.

Mr Clause said the markets of Europe and the rest of the world are depending on East Africa for more of their requirements in fruit, vegetables and cut flowers.

He appealed to horticulture and floriculture producers to harness market awareness and production efficiently to meet the demand.

Last year, Kenya exported the following produce — cut flowers (23,636 tons), French beans (14,467 tons), Asian vegetables (9,095 tons), avocados (6,676 tons), mangoes (2,850 tons) and others (5,383 tons).

Mr Clause said in his message to the Hortech '94 exhibitors and farmers that competition from other countries in East and Southern Africa, Asia and the Americas was already strong.

He said international regulations governing the export trade were constantly changing and becoming more restrictive, while lack of enough water posed a problem to the grower areas.

Hortech '94 Exhibition was officially opened by Mr Nyachae. It has been sponsored by ABN AMRO Bank and ends on Saturday.

Mr W. A. E. J. Lemstra, General Manager of ABN AMRO Bank, said the institution has been offering financial and advisory services to Kenyan producers.

"Horticultural trade routed through the ABN AMRO Bank network has proved to be an efficient and time-saving process. Our knowledge of the horticultural trade linked with our branch representation at the major flower auctions in the Netherlands has enabled us to offer an extra service to our clients, he said.

Kenya Times: Friday, March 18, 1994 -

Agriculture Minister Simon Nyachae laughs all the way to Highview Roses' stand for a hearty welcome by Managing Director Ms Rebecca Mwicigi at the Hortec 94 exhibition at the KICC on Wednesday evening.

— *Picture by KIPKORIR KENIK*

Daily Nation: Monday/March 21, 1994

Association calls for flower experts

By NATION Correspondent

Kenya is in dire need of experts in flowers, fresh fruits and vegetable farming, a director of the Fresh Produce Exporters Association of Kenya, Mr Ian Morvell, said on Saturday.

Speaking at the close of the Hortec'94 Horticultural Produce, Supply and Support Service Exhibition at the Kenyatta International Conference Centre (KICC), Mr Morvell said the Government should address the sophisticated training required.

"We are getting a lot of local farmers who are interested in horticultural export production but who is going to teach them?" Mr Morvell asked.

The director said that Kenya had "enormous potential" for supplying European and Middle East horticultural markets.

He said the problems facing the sector included lack of technical information and personnel and lack of irrigation and water facilities which hinder production.

The manager of Homegrown Flamingo Farm at Naivasha, Mr Brian Alen, said: "Despite growing roses for the last five years, we still do not know everything and have to get consultant services from Israel once a month." He said foreign consultancy services were expensive "but we have to call them in."

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Tips for exporters

By NATION Reporter

Producers and exporters of horticultural products have been advised to seek financial assistance and advice from suitable and experienced financial institutions in the horticulture sector.

The advice was given by Mr Laban Omangi, the Bills Manager of ABN-AMRO Bank, the sponsor of the exhibition.

Mr Omangi said success in the export of horticultural products, particularly flowers, required well thought out logistics.

He observed that the horticulture business was seasonal, which called for close familiarity with the business on the part of the financiers in order for them to be able to avail the working capital to clients.

Mr Omangi said pre-shipment documentary requirements were another problem that the exporters had to cope with. He said the documentation should to be cut down in order to ease the procedures because horticultural products were perishable.

Exporters also lacked sufficient information on the market. This compromised their competitiveness and the development of the sector in general, he said.

Daily Nation: Friday, March 18, 1994

Horticulture 'to be top earner'

By Alfred Omondi

HORTICULTURE is expected to beat tourism and coffee as Kenya's top foreign exchange earner by the year 2000.

The ABN-AMRO Bank Import and Export manager, Mr Laban Omangi, stated that horticultural production would hit the 2 million tonnes mark within the same period and earn Kenya Shs 13 billion annually in foreign exchange.

Mr Omangi made the remarks while addressing participants at a seminar held during the Hortec '94 exhibition in Nairobi.

"However, to achieve that position, the Government will need to create a more enabling environment by playing a purely regulatory role by facilitating growth through research, infrastructural development, creating incentives and offering support services", he said.

He welcomed the reversion to 100 per cent of the proceeds from exports as a "positive step" that would streamline the operations of the horticultural sector.

Mr Omangi said ABN-AMRO Bank had a market share of between 40 per cent and 50 per cent, and approximately 30 per cent of the total trade in horticulture, which registered a worldwide turnover of about Shs 182 billion last year.

The Hortec '94 exhibition is sponsored by ABN-AMRO Bank.

He singled out the major problems facing the horticultural industry in Kenya as the fluctuations and changes in business trends, rates and pricing and the inability to obtain financing on the basis of export documents.

The Standard: Friday, March 18, 1994

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Nation Tuesday, March 22, 1994

Hortec'94 exposes horticulture potential

By MAURICE OTIENO

As it turned after the just ended Horticulture Exhibition (Hortec '94) last week, horticultural sector is emerging forcefully and could become the country's foremost foreign exchange earner by the year 2,000, not just because of the good export returns and a rising demand overseas, but mostly because farming is natural to most Kenyans.

A number of limiting factors however, threaten to mitigate the possibility of the country realising its full potential in the export of horticultural produce.

The Minister for Agriculture, Livestock Development and Marketing, Mr Simeon Nyachae says the sector is the fastest growing in Kenya's economy with an estimated 250,000 smallholder farmers depending on it.

Ms L. Waithaka, the General Manager, Operations, at the Horticultural Crops Development Authority (HCDA) says, the sector provides substantial employment for close to 1.8 million people.

Last year, the total fresh horticultural exports rose to 62,129 tonnes, valued at Sh4.7 billion, an increase of 8.3 per cent over the 1992 figure, while processed exports of pineapples, macadamia nuts, passion fruit concentrates and French beans totalled 90,000 tonnes valued at Sh3.3 billion, the Minister says.

Mr Laban Omange, of ABN AMRO Bank projects that horticulture is set to become the country's foremost foreign exchange earner by the year 2000, fetching the country an estimated Sh13 billion annually.

Many foreign and local exhibitors and potential investors attended Hortec'94.

The exhibitors included farmers, experts in: Irrigation, seed farming, green house construction, product packaging, airline and freight handling, marketing and financing, inter alia.

Unlike ordinary exhibitions, Hortec'94 sponsors organised lectures on varied topics of core relevance to the sector. These run concurrently with the exhibition to the benefit of the participants who made all sorts of queries.

While opening the exhibition, Mr Simeon Nyachae, announced that the importation of fertiliser and equipment used in agriculture would be both duty and VAT exempt, a policy move that is expected to boost competitiveness of Kenyan produce overseas.

The Minister challenged the sponsors and organisers to make the exhibition an annual event.

But although a big money spinner in export terms, some intervention in the sector by the government appears necessary to enhance increased and efficient productivity as well as participation.

Even though initial capital outlay estimated at between Sh250,000 to Sh30 million a hectare, the return is said to be good and the export demand rising every year, particularly that of cut-flowers.

Areas such as Naivasha, Nyandarua, Nyeri, Kiambu, Murang'a, Kirinyaga, Embu, Meru, Nakuru, Baringo, Kisii, South Nyanza Busia, Bungoma Kakamega, Trans Nzoia, Kilifi, Kwale, Taita/Taveta, Loitokitok and Garissa and others have a potential for export of horticultural produce. However, production appears confined to a radius of about 150 km from Nairobi. The reason being that the products are perishable.

Unless appropriate infrastructural facilities are provided by the government, many other regions with good potential cannot as yet partake fully in the export market.

A number of other obstacles constrain development in the sector.

Mr Waithaka says, these obstacles include inadequate air cargo capacity which limits exports, high freight rates which tend to make Kenyan produce less competitive in international markets, lack of per-cooling and cooling facilities both at the production areas and the airports which tend to limit participation by wananchi to areas around Nairobi, lack of quality control and availability of planting material, most of which have to be imported.

It was also argued during the seminar that new developments in the export markets do not seem to permeate the sector well, thus hindering producers from adjusting in time to new market requirements. In addition, only a handful of local financial institutions are involved in the sector, while insurance is hardly available. As a result, the sector tends to bear high risks. With the country's export earning capacity compromised by many factors, including the prevailing drought and, the decline in tourism, authorities should initiate urgent measures to ameliorate this situation.

Indeed many institutions could join up hands: the Export Promotion Council (EPC), the Ministry of Agriculture, HCDA, Fresh Produce Exporters Association of Kenya (FPEAK) and the Kenya Missions overseas among others.

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SERENA

New Lodges in Tanzania

Prince Amyn Aga Khan (second right) signs a construction contract for lodges in Tanzania at the Serena Hotel, Nairobi

IN what is widely touted as the largest private sector venture in Tanzania, Tourism Promotion Services (TPS), are to construct three new lodges and one luxury camp in Tanzania's northern tourist circuit.

The project, which will cost $30 million (TSh15 billion or KSh2 billion), will be jointly funded by the Aga Khan Fund for Economic Development, the Commonwealth Development Corporation (CDC), the International Finance Corporation (IFC), and Tanzania's National Provident Fund.

Once complete, the facilities will be run by TPS, an affiliate of the Provident Fund, under the Serena brand name. The development is expected to create over 400 jobs without degrading the local environment, and expand the Serena Hotel Group's 600 room capacity in East Africa to 830 rooms. The main construction contract has been awarded to the China Sichuan Corporation (SIETCO) of Dar es Salaam.

TPS chairman, His Highness Prince Amyn Aga Khan, and SIETCO's managing director, Mr Li Fang, who signed the construction agreement last week, said construction would start next month. ■

KAHL

Rehabilitation Plans

Horticultural produce: Complaints of poor handling

THE Kenya Airfreight Handling Limited (KAHL), which has of late been often criticised over the way it handles cargo at the country's two major airports, is planning to rehabilitate and expand its warehousing facilities in order to cope with rapidly increasing cargo volumes. However, the company's manager in charge of cargo operations, Mr F. J. Karua, said the plans are long term, as the company must liaise with the Kenya Airports Authority which owns the facilities, and because the handling charges on exporters are heavily subsidised, thereby hampering efficient inflow of revenue.

"We have had a rapid increase in cargo, from 20 million kgs in 1978, to 78.6 million kgs last year. Unfortunately, our facilities, technology and ground handling equipment have not matched this growth," says Karua. The company was incorporated in 1978 as a subsidiary of Kenya Airways to handle import, export and transit cargo at Nairobi's Jomo Kenyatta International Airport (JKIA), but its mandate was extended to Moi International Airport, Mombasa, in 1985.

Exporters' grievances include disenchantment over the way the company handles perishable cargo; and a 60 cents levy charged on every kilo handled, whose proceeds, the exporters feel, are not ploughed back into improvement of refrigeration facilities. Small exporters say the levy is excessive, while airlines were until recently galled by a substantial loss of goods which they blamed on KAHL. The exporters also complain of inadequate cargo capacity space in outgoing flights and high airfreight charges which have forced some of them to resort to seafreight.

But Karua says the levy is subsidised by 50%, and laments that exporters do not understand the company's operational limits. Arguing that KAHL only handles cargo from the freight terminal, he says losses in other areas cannot be blamed on the company.

KAHL's monopolistic status has often been viewed as the root cause of its inefficiency, but Karua says the firm cannot sit on its laurels in the face of economic liberalisation. Over the last five years, he says, KAHL has extended the fresh vegetable handling shed, installed new electronic weighing bridges, and rehabilitated the cold store to handle more perishable produce, on top of other physical developments. The company has also trained specialised manpower to handle horticultural produce and formed a consultative council with exporters, which deliberates on how to improve cargo handling.

But exporters feel more needs to be done to make the company an efficient handler of the rapidly growing horticultural industry, especially the installation of advanced refrigeration facilities. The company has already allowed big exporters to develop their own handling facilities near JKIA for which they get rebates on the handling charges. This is widely seen as a prudent move towards liberalisation of the cargo handling business, which Karua says would be welcome as long as the competitors have the expertise and infrastructure to guarantee reliable service. ■

APPOINTMENTS

Bennet Becomes Church Orr's MD

Bennet

MR Gavin Bennet, who has been an executive director of Church Orr and Associates public relations consultants, has been appointed the company's managing director. He will be responsible for developing the consultancy's Kenya base.

Mr Colin Church remains the company's executive chairman, and will spearhead the consultancy's extended international reach. ■

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