



**Kenya BDS**

Kenya Business Development Services Program

Lower Kabete Rd/ Peponi Rd  
Junction, Westlands  
P.O. Box 1327, 00606 Sarit Centre  
Nairobi, Kenya  
Tel: 254 - 2- 3753318/19,  
Fax: 254 - 2- 3753320  
E-mail: info@kenyabds.com  
www.kenyabds.com

**USAID Kenya Business Development Services Program  
(Kenya BDS)**

**Contract No. 623-C-00-02-00105-00**

**Deloitte Touche Tohmatsu Emerging Markets, Ltd.**

**PERSONAL NARRATIVE ON ACCOMPLISHMENTS AND CHALLENGES FOR THE FUTURE**

**For The Year Ending 30 September 2003**



A USAID Funded Activity Managed by Deloitte Emerging Markets

**Deloitte  
Touche  
Tohmatsu**

## **Table of Contents**

I. Summary of Activities and Expected Results	2
II. Progress Towards Achieving Results	2
III. Challenges and Lessons Learned Faced During Year One Implementation	3
IV. Public Private Partnerships	4
V. Gender Mainstreaming	5
VI. Natural Resource Management and Environmental Compliance	6
VII. Success Stories	7

## Part I - Summary of Activities and Expected Results

The past year has been quite active for Kenya BDS, as the Program not only completed full administrative and technical startup, but launched all activities related to the treefruit subsector. Major activities included: subsector selection; an indepth subsector mapping and constraints identification effort to identify critical business services; BDS market assessment to identify the supply- and demand-side constraints of 3 priority services; baseline survey of the treefruit subsector; and PERSUAP (Pesticide Evaluation Report and Safer Use Action Plan). Each of these activities in one way supported the overall thrust of Kenya BDS – the Market Intervention Fund.

Over the past year, Kenya BDS has actively registered over 140 local facilitators in the Program database. Nine intervention tenders have been drafted, which has resulted in 6 awards. Year One culminated with the identification of Lake Victoria fish as the second subsector for assistance, with a focus on Nile Perch.

## Part II - Progress Towards Achieving Results

Following is the Kenya BDS Year One Summary Workplan and Performance Monitoring Table, with SO7 indicators and targets:

Indicators	Activity	Yr 1 Target	Yr 1 Result
<i>IR 7.3 Increased Access to Business Support Services for MSEs</i>			
Total number of MSEs access commercial business services		2,500 MSEs	1,665 MSEs
<i>IR 7.3.3 Non Financial Services Delivered Cost-Effectively Increased</i>			
Total number of Business Service Providers participating in the BDS Program target areas	Strengthening BDS provider capacity and supply	25 BSPs	24 BSPs
Total number of MSEs aware of program assisted business services	Awareness creation among MSEs for business services	10,000 MSEs	3,335 MSEs
Total number of MSE producers linked with the commercial market	Creation of commercial backward and forward linkages	500 MSEs	600 MSEs
Approved subsector selection presentations and reports	Identification and selection of subsectors for BDS market development assistance	2 subsectors	2 subsectors
Approved presentation and report on selected business services	Conduct initial analysis in each sub-sector to identify constraints and appropriate BDS	3 initial business services identified in each of the 2 subsectors	8 business services identified in the 1 <sup>st</sup> subsector
Approved intervention concept papers	Conduct initial BDS market assessment of identified business services and design corresponding interventions	At least 9 intervention concept papers	9 intervention concept papers drafted
Market interventions awarded and approved	Award market facilitation interventions	At least 6 market facilitation interventions	6 market facilitation interventions awarded

The shaded rows indicate the formal indicators tracked by USAID/Kenya's SO7 Performance Monitoring Plan, whereas the others are both strategic and process indicators which may be used to further describe Kenya BDS Progress.

From the Year One targets and corresponding results above, it is evident that Kenya BDS fell short of Year One targets in several areas, and exceeded targets in others. This is primarily due to

the fact that upfront activities related to subsector identification, subsector mapping/analysis, business services identification and market assessment, and intervention design and tender took more time than expected. Kenya BDS was also concerned about awarding “quality projects” through a transparent and competitive tendering process. Therefore at tender evaluation, several stages of competition took place which forced bidders to refine their proposals based upon Program feedback. Finally, market development or commercialization of a business service cannot occur overnight. It is a gradual and conditioning process whereby supply and demand gradually evolve into a commercially viable transaction. The interventions awarded during Year One were launched towards the end of Fiscal Year 2003, and require a few additional months before more substantial results are realized.

The Program has however met all process indicators, meaning that the Intervention Fund is operational, and that 6 different market interventions have been awarded under Year One. Now that the Kenya BDS Intervention Fund systems and mechanisms are in place, it is expected that both impact and outreach will accelerate. For example, from the interventions awarded under Year One alone, Kenya BDS expects to achieve 10,340 MSEs “accessing commercial business services.” This number, compounded by the interventions from Year Two, will enable Kenya BDS to meet and exceed Year Two workplan targets.

### **Part III - Challenges and Lessons Learned Faced During Year One Implementation**

As Kenya BDS looks towards Year 2 implementation, it is necessary that the Program builds upon past experience. Following are some of the critical lessons learned from the past year which will be taken into consideration:

*Lesson #1 - Subsector analysis and market assessment are time-consuming activities however must be conducted in advance of market intervention design.*

During Year One implementation, it was realized that certain upfront analyses are time-consuming, and not necessarily practical on the ground. For example, the original conceptual framework behind the subsector-based approach to BDS (as laid out in the USAID/Kenya strategy report) recommended a series of stakeholder vetting workshops and analyses within each stage of program implementation. These included vetting seminars at the levels of subsector analysis, constraints identification, and intervention design. Kenya BDS has realized that such levels of stakeholder vetting are not only time consuming and expensive, but more importantly can lead to “donor-fatigue” among stakeholders.

During the original Year One workplan development, Kenya BDS attempted to address these issues at several levels. For example, subsector analysis was combined with the constraints identification exercise. Rather than having multiple stakeholder vetting workshops, Kenya BDS consolidated actors within the treefruit subsector to gather for one event. While these changes were helpful, additional efforts will be made in Year Two to streamline upfront analysis in the second and third subsectors.

Although streamlined, market assessment and design activities will remain an integral part of Kenya BDS. When applying the market development approach, it is essential that interventions are demand-driven, and in response to market constraints and market inefficiencies. Therefore it is necessary for a certain level of upfront analysis to be conducted.

*Lesson #2 - Proposal submission process is intensive for facilitators submitting bids, which has the potential for “burn out” at the tender competition stage.*

As part of the competitive process, Kenya BDS requires that offerers submit full technical and cost proposals in response to intervention tenders. This requires significant time and effort on behalf of local facilitators, as a well-organized and clearly articulated technical proposal is

usually a good indicator of the extent to which an approach has been considered. Kenya BDS is concerned that if a facilitator submits numerous proposals and is unsuccessful, it may become disheartened with the entire bidding process.

While a facilitator must also operate as a business, and learn which opportunities to pursue and which to pass, Kenya BDS will strive to assist facilitators in proposal development during Year Two. This will be accomplished by: 1) streamlining the proposal submission requirements; and 2) hosting a half-day facilitators seminar to provide guidance with proposal development.

*Lesson #3 - Phasing in of sub-sector activity has allowed Kenya BDS to apply lessons learned and effectively manage implementation schedule.*

At the beginning of Year One Kenya BDS opted for a “phased” approach to subsector activity. Rather than simultaneously committing to 3 subsectors from the onset, the Program would initiate assistance in subsector #1, and ramp up activities accordingly. This approach has proven effective, and has allowed the Program to launch a significant number of interventions in the first subsector during Year One. The “phased approach” will be continued in Year Two. By March 2004 Kenya BDS expects to be fully operational in all 3 subsectors.

*Lesson #4 - Pre-registration of local facilitators and tender process has provided an efficient means of sourcing quality proposals through a transparent and competitive mechanism.*

Kenya BDS included a pre-registration phase as part of the Market Intervention Fund. The rationale was that: 1) pre-registration was a “quality control filter,” whereby the Program could vet facilitators prior to issuing tenders, therefore shortening the tender evaluation process; and 2) a database of registered facilitators may serve as the genesis of a future resource network for BDS-related activities.

The process of pre-registration over the past year has proven effective, and has served as a transparent means of disseminating market intervention tenders. The mechanism will be continued through Year Two.

*Lesson #5 - The portfolio-based approach of Market Interventions has increased the chances of sustainable, market-driven impact.*

The tenders awarded during Year One encompassed a variety of facilitators, including parastatals, private sector firms, and non-governmental organizations. While the majority of these awards were tendered, Kenya BDS also issued a sole-source activity through a memorandum of understanding with a lead horticultural exporter (East African Growers). This portfolio-based approach to BDS will provide interesting results and allow the Program to compare and contrast results based upon alternative models. Kenya BDS will continue the portfolio-based approach in Year Two, which will also serve to feed the BDS learning agenda.

#### **Part IV – Public Private Partnerships**

Kenya BDS has pursued a number of public/private partnerships through Year One activities. Following are some of the examples regarding the mobilization of resources from both the public and private sector in support of shared development objectives:

1. Public-Private Sector Partnerships in Eastern Province - Kenya BDS is funding a consortium including a private sector firm (Just Juice, Ltd.), non-governmental organization (KMEPP), and Kenyan parastatal (KARI) to develop a backwards linkage activity with smallholder farmers in the Embu and Meru Districts. Through an initial promotional awareness campaign, the consortium will promote the business linkage concept, and build awareness on the value of producer group formation to achieve

economies of scale. KMEPP will facilitate the organization of farmers into viable producer groups, while building their capacity for self-management, as well as in basic business and negotiation skills. Just Juice Ltd. will enter into long-standing supply contracts with the groups for processing, and in turn provide embedded services in crop husbandry and product development. To facilitate additional technical support and the supply of inputs, KARI will establish and manage a demonstration plot and 3 nurseries. The Program will result in better skilled farmers, higher quality product, and greater yield through value-added business development services. Smallholder farmers will also experience increased sales and sustained household income through a guaranteed market. For every US\$1 allocated to this initiative, Kenya BDS is leveraging US\$1.37 in investment from Just Juice, Ltd., as well as US\$.63 in cost-sharing from KMEPP and KARI.

2. Public-Private Sector Partnerships in Coast Province - Kenya BDS has contracted Kenya Gatsby Trust (KGT), a Kenyan-based non-profit organization, to work with: KWETU, a local non-governmental organization; KARI, a government parastatal; and Watamu Dried Fruits, a private sector processor to increase incomes among smallholder mango farmers in Coast Province. The consortium will address constraints arising from the lack of knowledge and skills in crop husbandry among small-scale mango growers in the Watamu/Msabaha region of Malindi District. On the demand-side, KWETU will assist in the identification and formation of smallholder mango producer groups. Farmers will be sensitized on the value of extension services, as well as the values of producer group formation. On the supply-side, KARI will provide training on mango husbandry practices to potential private extension workers (school leavers, select farmers, retrenched government extension officers). KWETU will further the capacity-building of extensionists through training in business management skills, such as how to market and price their services. A linkage has already been developed with Watamu Dried Fruits (WDF), which has expressed interest in entering into supply contracts with the farmer groups. The key result of this program is a strengthened BDS market for commercial extension services at the rural level through increased awareness and availability of private extension services. Market linkages will also be brokered through public/private partnerships with mango exporters and processors, resulting in increased incomes and commercial growth opportunities.
3. Leveraging Private Sector Funds - Kenya BDS is working directly with East African Growers Ltd. (EAGA) to expand their sourcing of avocados from smallholder farmers. The relationship between Kenya BDS and EAGA (a private sector horticulture exporter) is purely commercial, and based upon a “win-win” relationship with bottom-line incentives. No money will exchange hands between Kenya BDS and EAGA. Rather, Kenya BDS will provide focused short-term technical assistance as needed to: 1) build the capacity and organization of producer groups; and 2) build the capacity of EAGA agronomists in specific technical areas, so that such services may be delivered sustainably. For every US\$1 spent by Kenya BDS, the Program has leveraged US\$2.66 from EAGA.

## **Part V - Gender Mainstreaming**

Kenya BDS has taken proactive steps to ensure that gender is integrated at all levels of program implementation, and that both men and women are participating as productive members in targeted interventions. The Program mainstreams gender through the following:

1. Subsector Selection – Unlike the other SO7 contractors, Kenya BDS was not assigned specific sub-sectors for assistance. Rather, the Program was mandated to select 2-3 sub-sectors during the life of project. For each subsector selected, the Program has assembled a

small panel of experts who are tasked with scoring and ranking potential subsectors according to specific evaluation criteria. To ensure that gender is appropriately included, Kenya BDS has set aside 20% of selection points for subsectors that incorporate both female and male participants in the supply chain.

2. Design and Tender of BDS Market Interventions – The tender and award of market intervention tenders is the core activity of Kenya BDS. The Program has taken careful steps to ensure that gender has been “operationalized” in the process. Each request for proposal tender explicitly calls for “evidence that the proposed intervention encourages the participation of women MSEs in the sector.” Proposals are then scored accordingly by the evaluation committee.
3. Performance Measurement –Each facilitator awarded under Kenya BDS is held to specific performance benchmarks in their respective contracts that incorporate gender issues. For example, a recent contract awarded to the Coast Development Authority to facilitate increased availability of private-sector extension services to smallholder mango farmers in Coast Province required that “at least 4,400 women are participating in the project.” Similarly, in the forward linkage intervention with mango farmers facilitated by SITE, women will be involved in at least “30% of program activities.” Such numbers will be actively tracked on a quarterly basis through the Kenya BDS Performance Monitoring System. To remain consistent with this approach, the Program has recently completed a baseline survey which specifically disaggregates the baseline numbers by gender.

## **Part VI - Natural Resource Management and Environmental Compliance**

A categorical exclusion was recommended by USAID for IR 7.3 “Increased Access to Business Support Services,” particularly since the majority of interventions would involve capacity building, technical assistance, training, and access to market information. However, selection of the Treefruit Subsector has warranted the need for specific measures to ensure that environmental mitigation activities are both considered and operationalized as an integral part of the Program.

Kenya BDS has “mainstreamed” natural resource management practices through the following. First, the Program has required that each market intervention tender includes specific evaluation criteria requesting “Evidence that the proposed intervention takes the necessary steps towards minimizing any foreseeable negative impact on the biophysical environment.” Second, following selection of the most competitive bids, Kenya BDS will implement a series of steps to ensure that environmental mitigation activities are adopted at the “pre-award” or negotiation stage. This process is laid out below:

1. Each specific intervention tendered under Kenya BDS must classify the type of “end user” BDS provider or MSE that may be an indirect recipient of market facilitation activities. Should the classification prove that negative environmental impacts are possible, Kenya BDS will ensure that steps 2 and 3 (below) are implemented accordingly.
2. Each intervention that has a potential negative impact on the environment will be required to undergo a standardized screening. The purpose of the screening will be to characterize the facilitator and intervention within the environmental context, as well as determine potential areas of impact. Kenya BDS staff will complete a Screening Form in coordination with the selected facilitator for each tender. Completion of the Form will be a requirement at the negotiation stage, and must be completed in advance of contract signing.

3. Following the screening, each facilitator must complete a statement citing the practices and activities that will be incorporated to address the most adverse impacts. The commitment statement must be signed before a subcontract signing or grant disbursement.

To date Kenya BDS has carried out steps 1-3 with each of the contractors.

### **Part VII - Success Stories**

It must be noted that Kenya BDS has only recently begun the award and implementation of market intervention tenders, therefore impact and success on the ground will be more significantly achieved during Year Two. Following is a concrete success story with significant “people level” and “sustainable” impact which has been achieved to date:

#### *East African Growers and Smallholder Avocado Farmers*

A year ago, farmers in the Kandara Sub-Location of Maragua District were rather despondent. Avocado trees were plentiful, however the opportunities for selling their produce were extremely limited. The lack of markets left little incentive for farmers to “invest” in their crops. Therefore quality and yield were low, and often below minimal standards for export. Moreover, farmers were selling and competing on an individual basis, leaving them exposed for exploitation from their sole market outlet – the suitcase broker. The low prices (.50 Ksh per avocado) farmers were receiving had left many hopeless. Some farmers had left their avocados to rot, while some had even resorted to cutting down their trees to sell the wood.

Seeing the potential of this area, Kenya BDS approached East African Growers, Ltd. (EAGA), a large exporter of horticultural products. EAGA was facing a supply constraint in Haas and Fuerte variety avocados for export. The market channels had already been established in Europe, however the exporter was lacking in both the quantity and quality required. Although EAGA was interested in purchasing directly from smallholder farmers, the firm did not have the time or resources to expand their operations downmarket. Moreover, it was easier and less risky to purchase avocados directly from market intermediaries (i.e. brokers). Kenya BDS approached EAGA, and offered to assist the firm source additional product from smallholder farmers. If EAGA could provide the market and quality assurance (embedded) services, Kenya BDS could assist with the facilitation and capacity-building of producer groups. A memorandum of understanding was developed between the two, and operations were shortly launched thereafter.

To date, the following successes have been realized:

- Producer groups formed - A total of 9 producer groups, each of 25 farmers, have been fully formed and are currently undergoing capacity-building on group dynamics. Fifteen (15) other groups are also in various stages of group formation. On the whole it is expected that the pilot area targeted covering Kawendo and Ng’araria sub-locations will have about 1,000 farmers organized in groups of 25-30 farmers each.
- Embedded services provided in extension- Since the commencement of the Kenya BDS/EAGA avocado field activities in July 2003, EAGA has been providing farm extension services to farmers. EAGA has assigned one of its lead Agronomists and an Agricultural Extension officer both experienced in avocado crop management to visit the pilot area twice a week to advise farmers on orchard management. Activities have involved cleaning, pruning and manure/fertilizer application. In addition, EAGA will assist with conversion of Fuerte trees to the more lucrative Hass variety through grafting.

- Embedded services provided in material input supply - EAGA has also put in place a spraying program to be provided to farmers in the area as an embedded service. In support of this activity, EAGA has worked out a pesticide application protocol acceptable to EUREPGAP standards; purchased sufficient quantities of agrochemicals to cover all farmers in the pilot area; imported two motorized sprayers; and hired a total of six young men from the pilot area to be trained in spraying. Spraying is planned to commence in the third week of October under the supervision of EAGA staff who will also be responsible for keeping records for purposes of traceability and adherence to required MRLs. Under this activity, EAGA has so far hired two stores, one in Kawendo and the other in Ng'araria to store the a certain amount of agrochemicals in the area as well as the spraying equipment. These will also act as contact points between farmers and the company.
- Market access provided to farmers - EAGA has promised to buy all avocados produced by participating farmers in the pilot area that meet export quality. While the targeted crop is that expected in main avocado season of February – April 2004, EAGA has already stated taking avocados produced in the current off-season period of October – November. So far, EAGA has collected one consignment paying farmers 5 Ksh per Fuerte fruit and 3 Ksh 3 per Hass fruit compared to the .5 – 2 Ksh farmers are used to getting from brokers. To farmers, this represents up to a 900% price increase - a record price which has excited the entire area. Produce has been collected per group, and payments have also been made in one cheque per group (within a two day period).
- Activity is growing - In preparation for the main avocado season, EAGA is making plans to put up and equip two produce collection centres. It has also ordered two medium sized trucks to transport the produce from the farms to its Nairobi pack-house. EAGA has conducted a tree census for the whole pilot area from which the company has been able to plan its inputs as well as marketing. EAGA is also in the process looking at the modalities of branding the produce from this area to sell at a premium price since it is able to assure quality.



**Deloitte  
Emerging  
Markets**

**USAID Kenya Business Development Services  
Program  
(Kenya BDS)**

**Workplan 2002-2003**

**February 10 revised draft**

## **Table of Contents**

- I. Introduction
  - II. Kenya BDS Purpose and Relationship to USAID’s Strategic Objective
  - III. Strategy for Year One Action Plan
  - IV. Donor Coordination on BDS-Related Efforts
  - V. Environmental Screening and Review
  - VI. Year One Detailed Workplan
  - VII. Management and Startup of Kenya BDS – Year One
  - VIII. Performance Measurement and Impact Assessment
- Annex A – Year One Summary Workplan and Targets  
Annex B – Life of Program Summary Workplan and Targets  
Annex C – Performance Monitoring Plan

# Kenya Business Development Services Program Year One Workplan

## I. Introduction

The following is the Year One Workplan for the Kenya Business Development Services Program (Kenya BDS) covering the time period September 30, 2002 – September 30, 2003.

USAID/Kenya's Strategic Objective 7 aims to increase rural household incomes in Kenya through both agriculture and micro-enterprise development programs. According to the National Micro- and Small Enterprise Baseline Survey of 1999, over 65% of MSEs are located in rural areas throughout the country. It is within such areas that agricultural-based activities flourish. Current estimates conclude that agriculture contributes to more than 25% of GDP, and that it is within this sector that over 60% of the labor force lies.<sup>1</sup>

Declining agricultural production and a lack of competitiveness within the micro-enterprise sector have contributed to increased poverty among rural Kenyan households. To acquire greater market share and improve efficiencies, it is critical that rural micro-enterprises have access to a range of business services, as well as timely information.

USAID's Kenya BDS Program is in direct response to this development challenge. Through the promotion of BDS markets along subsectors of high growth potential, the Program will improve the performance and productivity of rural microenterprises, which will stimulate job creation, as well as further commercial opportunities within product-based markets.

## II. Kenya BDS Purpose and Relationship to USAID's Strategic Objective

Kenya BDS will achieve SO7 "Increased Rural Household Incomes" through a subsector-based market development approach.

Stemming from the Donor Guidelines from SME development, the market development approach espouses a private sector orientation to business development services. It is understood that through a combination of supply- and demand-side interventions, an effective market may be facilitated where business services are acquired through commercial transactions. To maximize impact at the microenterprise level, interventions are grounded within subsectors of high growth potential. As enhanced business services, skills, and information enable microenterprises to overcome constraints, they will experience increased competitiveness within product markets. This will result in a growth of final sales in selected subsectors, increased availability to a variety of private sector business services, and ultimately "increased rural household incomes."

The mandate of Kenya BDS is directly responsive to *Intermediate Result 7.3 – Increased access to business support services for MSEs.*

The following workplan is a culmination of the technical proposal submitted by the Deloitte Team, as well as consultations, meetings, and strategic planning workshops with

---

<sup>1</sup> National MSE Baseline Survey 1999 (CBS, K-REP, and ICEG)

USAID/Kenya, USAID/Office of Microenterprise Development, the Action for Enterprise (AFE) STTA Unit, and other contractors.

### **III. Strategy for Year One Action Plan**

David Knopp, Chief of Party for Kenya BDS, will oversee the management of all technical activities, with assistance from the local BDS Specialist Muli Musinga, Intervention Fund Manager Alex Njinju, and targeted short-term technical specialists.

The Kenya BDS workplan consists of the following 7 primary activities:

#### **Activity 1: Identify and Conduct Subsector Selection**

It is assumed that business development services alone are not the solution. Rather, when grounded within specific subsectors of high growth potential, BDS can assist MSEs to more effectively produce and compete within product markets. The identification and selection of Program supported subsectors is a high priority activity for the beginning of the first year.

Beginning 16 December, a small team consisting of David Knopp, Muli Musinga, and two local technical experts will be gathered to assist with the subsector selection effort. An initial brainstorming session will develop a tentative list of 15-20 proposed subsectors. The raw list will be assessed against an attractiveness matrix that weighs the potential for growth within the sector against outreach for business development services among rural microenterprise. Through the brainstorming session and attractiveness matrix, a “short-list” of six targeted subsectors will be identified for consideration.

Following this activity, the team will conduct an assessment of each of the six specific subsectors identified. The selection team will reconvene following the assessments to discuss principal findings, as well as score and rank each subsector according to specific criteria. The output of this activity will be the identification of the first subsector to be presented to USAID on or around 24 January for program assistance.

It is important that initial activities under the Kenya BDS Program are successful and completed in a comprehensive and methodical manner. For quality-assurance purposes, the Kenya BDS team will stagger program activities during the first year. One subsector will be initially targeted beginning 24 January. This will allow the team to test and fine tune programmatic activities, capture initial results, and monitor the political-economic climate which may impact future activities. Assistance in the second subsector will commence on 2 June.

#### **Activity 2: Conduct Subsector Analysis to Identify Constraints to Growth and Service Gaps**

Subsector analysis will enable the Deloitte Team to understand the critical relationships between private sector actors within the supply chain. From 23 January – 26 February, the Kenya BDS Team will conduct an analysis of the first subsector to map supply chain relationships, and identify constraints to growth and opportunities within the subsector.

David Knopp, in coordination with the STTA Unit, will assist with design of the market questionnaire and research tools beginning 23 January. Muli Musinga will concurrently

initiate an in-depth analysis of the first subsector, which will include a review of previously conducted assessments, as well as critical subsector based market information and statistics. The refined blue-print subsector map will allow the team to identify and target critical actors and stakeholders for the assessment.

Beginning 3 February, the Kenya BDS team will initiate field activity. Short-term technical specialists will assist with conducting direct field interviews, market questionnaires, as well as focus group discussions. The output of this activity will be a detailed understanding of the specific market incentives and dynamics that exist among actors within the supply chain, as well as the environmental factors (macroeconomy, policy, etc.) that may influence a businesses behavior.

The assessment will also identify specific constraints along the supply-chain which affect micro-enterprise growth. These constraints will be detailed in a supply-chain diagram, and mapped with potential business services that may address market inefficiencies.

### **Activity 3: Identify and Define Appropriate BDS to Address Constraints**

During the second half of February, and taking place concurrently with Activity 2, the Kenya BDS Team will develop a short-list of business services based upon the identified constraints.

A standardized criteria will be developed with the STTA Unit, in which priority business services that can be provided via private sector providers will be addressed. Criteria will give preference to businesses services that: 1) have strong potential for increased incomes among target group; 2) have strong potential to reach large numbers of consumers; 3) take advantage of opportunities in the final goods and services market; 4) possess strong “uptake” potential by commercial providers; and 4) provide maximum leverage and opportunity for growth. A vetting workshop with local stakeholders will provide validation of the subsector analysis conducted, as well as assist in the identification of business services.

We will initially select 3 services in the first subsector for support, to be presented to the USAID/CTO by 28 February. Following the piloting of these activities, facilitation interventions will be “ramped up” to a minimum of 5-6 targeted business services in each subsector.

### **Activity 4: Conduct BDS Market Assessment of Identified Services**

Following the business services identification, the Kenya BDS Team will conduct BDS market assessments for each identified service. A proper market assessment is essential to understanding opportunities and weaknesses, as well as specific distortions or incentives that may affect the lack of demand or supply of service.

The BDS market assessment will examine methods of service delivery, formal and informal sources of supply, awareness or valuation of the service, existing and potential consumers, and the overall market environment. Tools applied will include focus group discussions, UAI surveys, and supplier/consumer questionnaires. David Knopp and Muli Musinga will lead the 3 BDS market assessments from 26 February – 7 March, in coordination with short-term technical experts skilled in BDS market assessment.

### **Activity 5: Design BDS Market Interventions**

BDS market intervention design will commence 10 March, and will respond to specific supply- and demand-side constraints as identified under Activity 4. Interventions will be designed with strict adherence to the *Guiding Principles for Donor Intervention*, in which delivery and payment mechanisms, point of subsidy application, and exit strategy will be considered.

In advance of submitting a BDS intervention to USAID, a series of workshops will be held with commercial stakeholders and MSEs within the respective subsector to review and validate results achieved through Activities 2-4. Acquiring buy-in through a participatory approach will minimize risk, and ensure that Program-led market facilitation is demand-driven.

A short-list of 1-3 market interventions will be identified for each business service. Priority will be given to facilitation activities that seek innovative strategies of reaching down market to the “poorest-of-the-poor” within selected subsectors. The first set of concept papers for market intervention will be drafted and submitted to USAID by 17 March.

#### **Activity 6: Tender and Award Market Facilitation Interventions**

The tender and award of market facilitation interventions is the thrust of Kenya BDS, and it is imperative that activities are standardized, transparent, and straightforward. Alex Njinju, the Intervention Fund Manager, will handle all day-to-day activities associated with Fund management. This will include the tendering of intervention announcement, to the review, selection, and tracking of disbursement. From 16 December – 31 February, Mr. Njinju will finalize the Procedures Manual for the Intervention Fund, and submit to USAID for approval.

Mr. Njinju will also head all promotional efforts and information dissemination associated with the Intervention Fund. Promotional efforts will initiate in beginning March, in advance of the official market intervention tenders to begin on 24 March.

As proposals are submitted, a review committee consisting of the COP, Intervention Fund Manager, and USAID will evaluate and select the most capable and cost-effective proposals. It is envisioned that Kenya BDS will award the first market facilitation subcontracts by the second week of April.

#### **Activity 7: Apply Market-Oriented Performance Measurement**

Muli Musinga will oversee and coordinate performance measurement using the Performance Measurement Framework (PMF) methodology. Performance measurement will: 1) generate timely information on Kenya BDS Program operations; 2) provide causal links between Program resources, BDS market development, and economic growth at the microenterprise level; 3) ensure that market data and lessons learned during implementation are captured; and 4) enable the Kenya BDS Team to take remedial measures in a timely manner to keep the overall program and individual interventions on course towards their market development objectives. The performance measurement plan will be developed in coordination with the SO7 partners and USAID/Kenya between January – March 2003.

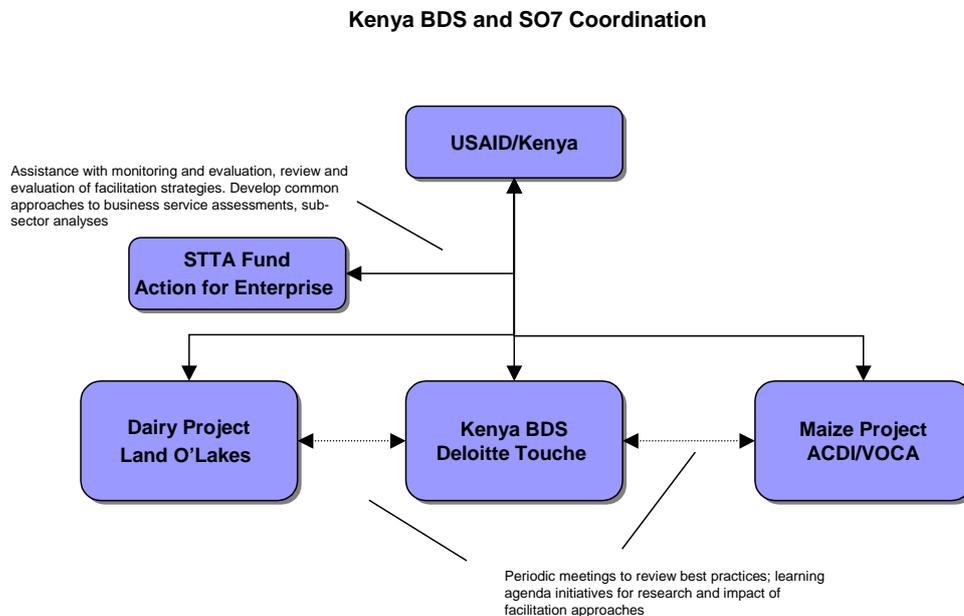
It is important to note that Activities 3-7 will be gradually expanded, and carried out on a “rolling” basis, in response to market constraints and opportunities. Kenya BDS will initiate program activities in the second subsector on 2 June, during which time Activities 2-7 will be replicated.

#### IV. Donor Coordination on BDS-Related Efforts

Kenya BDS will play a critical role in the sharing of experience and knowledge transfer related to best practice in BDS market facilitation. Opportunities will exist to leverage microenterprise networks for information sharing, such as partner business associations, non-governmental organizations, or producer group networks.

During the second quarter of Year One, Kenya BDS will establish a joint-donor BDS coordination committee. The purpose of the committee will be to share field experience in market intervention, coordinate monitoring and evaluation activities, and leverage rural MSE networks for increased outreach.

The following figure depicts information flows among the USAID SO7 Contractors:



#### V. Environmental Screening and Review

During the initial environmental examination of SO7 Increased Rural Household Incomes, IR 7.3 “Increased access to business support services for MSEs” was recommended a categorical exclusion concerning impact on the environment. Activities related to market information and dissemination, capacity-building, training, and technical assistance to business service providers were deemed to have no impact on the environment.

However, as Kenya BDS is a sub-sector based effort, there is a high potential that program interventions may fall within an agricultural sector, or one with relevance for the environment. For example, possible interventions may arise in technology development, pesticides, fertilizer, seed materials, etc. Kenya BDS will incorporate environmental

screening forms (ESFs) in the following areas to ensure compliance with USAID regulation:

1. **During initial analysis of each selected sub-sector:** Kenya BDS will work in 3 sub-sectors over the lifetime of the Program. During the initial analysis and mapping of each selected sub-sector (Activity 2) , Program staff will conduct an environmental screening form for submission to USAID.
2. **During tender awards:** Kenya BDS will mandate that an environmental screening form be completed prior to the award of each tender competed through the Intervention Fund. As interventions may be numerous and vary in size and duration, Kenya BDS will work with the Office of Environment within USAID to modify the screening form for the Fund’s particular needs.

Specific monitoring and evaluation controls will be instilled at various program levels. First, individual fund recipients will be required to report on the environmental impacts of ongoing activities. Secondly, both quarterly and annual reports will incorporate environmental monitoring and reporting procedures.

While Kenya BDS cannot affect environmental considerations from a compliance perspective, the program may play a strategic role in encouraging or incentivizing the delivery of environmental-related business services from a bottom-line sustainability perspective. For example, the Program could: 1) promote environmentally sustainable use of inputs in capacity-building interventions (seed materials, fertilizer, pesticides); 2) encourage training in soil conservation efforts, integrated pest management, and organic materials; and 3) incorporate PR messages to promote environmentally sustainable land use practices.

## VI. Year One Detailed Workplan

Kenya BDS Year One Activities	Qtr 1 Oct-Dec	Qtr 2 Jan-Mar	Qtr 3 Apr-Jun	Qtr 4 Jul-Sep	Level of Effort
<b>Activity 1 – Identify and Conduct Subsector Selection</b>					LTTA: David Knopp, Muli Musinga  DTT STTA <sup>2</sup> : 34 days days loe
Meet with USAID, STTA fund, and other SO7 contractors in support of BDS market development activities and subsector/business services approach	11/18 – 11/25				
Draft and refine subsector selection criteria	11/25 – 12/16				
Develop short-list of 6 subsectors for consideration	12/16 –12/17				
Two teams to conduct an assessment of each specific subsector in relation to selection criteria	12/16 –	1/14			
Draft blue-print subsector map of each targeted Subsector	12/16 –	1/14			
Meeting with subsector teams to discuss findings		1/15			
Score targeted subsectors according to evaluation Criteria		1/15			
Present first subsectors to USAID for approval		1/24			
<b>Activity 2 – Conduct Subsector Analysis to Identify Constraints to Growth and Service Gaps</b>					LTTA: David

<sup>2</sup> Note: STTA identified covers level of effort for year one, including both sub-sectors 1 and 2. Additional assistance will be provided through the AFE STTA Unit.

Kenya BDS Year One Activities	Qtr 1 Oct-Dec	Qtr 2 Jan-Mar	Qtr 3 Apr-Jun	Qtr 4 Jul-Sep	Level of Effort
Develop and finalize tools and questionnaires for subsector assessment		1/23– 1/31			Knopp, Muli Musinga
Refine blue-print subsector maps from Activity 1, and identify actors in supply chain to target during assessment		1/23-1/31			DTT STTA: 64 days days loe
Conduct subsector analysis in first subsector using qualitative and quantitative tools (data review, questionnaires, field interviews, FGD's)		2/3- 2/17			ACDI/VOCA STTA: 27 days loe
Identify supply-chain constraints and map corresponding business services		2/17 – 2/21			
Identify subsector constraints with corresponding Business services		2/17– 2/21			
Conduct Environmental Screening and Review Form and submit to USAID for internal approval		3/1			
<b>Activity 3 – Identify and Define Appropriate BDS to Address Constraints</b>					
Develop short-list of priority constraints and corresponding business services using attractiveness matrix		2/17-2/21			LTTA: David Knopp, Muli Musinga
Submit 3 initial business services to USAID for approval		2/28			DTT STTA: 17 days days loe  ACDI/VOCA 13 days STTA
<b>Activity 4 – Conduct BDS Market Assessment of Identified Services</b>					
Develop and finalize business service assessment tools and approach (questionnaires, UAI surveys, FGD's)		2/26 – 3/7			LTTA: David Knopp, Muli Musinga
Conduct 3 market assessments. Apply tools and identify supply- and demand-side constraints to BDS market development		2/26 - 3/7			FIT STTA: 9 days STTA loe
<b>Activity 5 – Design BDS Market Interventions</b>					
Conduct workshop with commercial stakeholders and MSEs within subsectors to validate information to date. Discuss 3 business services that have been evaluated. Workshop participants will come up with interventions in a participatory format.		3/1 – 3/7			LTTA: David Knopp, Muli Musinga
Design targeted market facilitation supply and demand-side interventions		3/1 – 3/17			FIT STTA: 8 days loe
Apply BDS market intervention “filter” to avoid distortion and maximize impact		3/1- 3/17			
Draft interventions into concept papers for presentation to USAID		3/17			
<b>Activity 6 – Tender and Award Market Facilitation Interventions</b>					
Finalize procedures manual for the market intervention Fund (detailing review committee, evaluation criteria, tender and selection process, screening of recipients, tracking and tranche disbursement mechanisms)	12/16 -	1/24			
Ensure gender and environmental considerations are incorporated into intervention fund screening		1/10 – 1/24			
Present intervention fund manual to USAID		2/31			LTTA: Alex Njinju
Develop information database and MIS system for tracking market intervention fund disbursements		1/1 – 3/1			
Develop concept paper and SOW templates for market facilitation interventions		1/20 – 2/28			
Develop promotion and information awareness campaign for market intervention fund		2/15 – 3/3			
Initiate promotional efforts and information dissemination activities		3/3		→	

Kenya BDS Year One Activities	Qtr 1 Oct-Dec	Qtr 2 Jan-Mar	Qtr 3 Apr-Jun	Qtr 4 Jul-Sep	Level of Effort
Complete tenders among local facilitators and Providers		3/24	→		
Commence review of subcontracts and award in coordination with USAID			4/14	→	
Conduct Environmental Screening and Review Form prior to award of each tender			4/14	→	
Track tenders and disbursements through information Database			4/14	→	
<b>Activity 7 – Apply Market-Oriented Performance Measurement</b>					
Develop and refine performance measurement indicators in coordination with USAID and the STTA Unit	11/25 -	2/28			LTTA: David Knopp, Alex Njinju, Muli Musinga
Finalize performance monitoring plan		2/28			
Capture practical experiences and lessons learned to advance the best practices learning agenda			4/14	→	
Submit quarterly and annual reports to USAID	12/26			→	
Establish BDS donor coordination committee		2/19			
<b>Activity 8 – Expand Program Activities in Subsector/Business Services</b>					
Repeat Activities 2 – 5 in targeted subsector #2, following similar timeline for implementation			6/2	→	Repeat Activities 2-6 for level of effort estimations
Select 3 additional business services under subsector #1, and repeat activities 4-5			6/2	→	

## VII. Management and Startup of Kenya BDS – Year One

The development of effective management and administrative systems is a primary focus for the first six months of implementation.

**Staffing.** Kenya BDS will identify and hire two long-term local professionals and three local administrative positions by 9 December to support Program operations. Targeted short-term technical assistance will also be required throughout the five-year implementation period. The Program will draw from a select cadre of well-known local and international short-term experts in BDS:

Expatriate	Local
Marshall Bear	Sunita Kapila
Olaf Kula	Stanley Karuga
Don Snodgrass	Margaret Masbayi
Henri van der Land	Anthony Getambu
	Richard Asiaho

**Administration and Management Systems.** During the beginning of February, Deloitte will work with the Kenya BDS Team to install the appropriate information management systems to meet the Program workplan, administration, grants management, and monitoring and evaluation needs. A Program website will be designed and completed for public access by 31 February ([www.kenyabds.com](http://www.kenyabds.com)). The website will serve to inform the public of BDS activities in Kenya as well as post instructions on the Program's market facilitation tenders.

**Procurement.** Deloitte’s Contracting Manager Marty Obiaya and Kenya BDS Program Administrator John Hanawa will support the Kenya BDS team in purchasing commodities and services in compliance with all USAID regulations. The team will work in conjunction with the Office Manager to secure competitive price quotations from local sources for items to be procured locally, as well as items to be purchased in the United States. Our procurement plan will be completed by 31 January.

The following workplan reflects the key startup activities for Year One implementation of Kenya BDS.

### **Startup Administration of Kenya BDS**

<b>Administration</b>	<b>10/02</b>	<b>11/02</b>	<b>12/02</b>	<b>1/03</b>	<b>2/03</b>	<b>3/03</b>
<b>Staffing</b>						
Formal contracting of proposed staff						
Long-term start-up team to Nairobi						
Subcontractor notification						
Local administrative staff recruitment						
Team kick-off field meeting						
Kenya BDS Project office formal opening inauguration						
<b>Administration and Management Systems</b>						
Network installation						
Register Project with local Authorities						
Establish and maintain project website						
Set up local bank account						
<b>Procurement</b>						
Identify and lease office space						
Identify and lease expatriate housing space						
Ship non-expendable procurement via air-freight						
Procurement tenders for additional office equipment, furniture and supplies, communications system, and vehicle						
<b>Market Intervention Fund</b>						
Organization of USAID acceptable forms and procedures						
Review of award criteria and preparation for system Guidelines						
Develop fund management systems and internal accounting procedures for disbursement and tracking of funds						

### **VIII. Performance Measurement and Impact Assessment**

Unlike the other SO7 contractors, Kenya BDS has an explicit focus on BDS market development, which is reflected in the performance indicators and results. The key activities, outputs, performance indicators, and measurement tools are summarized in the following:

- Annex A – Year One Summary Workplan and Targets
- Annex B – Life of Program Summary Workplan and Targets
- Annex C – Performance Monitoring Plan

**Annex A**  
**Year One Summary Workplan and Targets**  
September 30, 2002 – September 30, 2003

Indicators	Activities	Responsible Organization		Qtr 1	Qtr 2	Qtr 3	Qtr 4	Targets
<i>IR 7.3 Increased Access to Business Support Services for MSEs</i>								
Total number of MSEs accessing commercial business services	-	-	-	-	-	-	-	2,500 MSEs
<i>IR 7.3.3 Non Financial Services Delivered Cost-Effectively Increased</i>								
Total number of Business Service Providers participating in the BDS Program target areas	Strengthening BDS provider capacity and supply	Deloitte, working through local facilitators and providers						25 BSPs
Total number of MSEs aware of program assisted business services	Awareness creation among MSEs for business services	Deloitte, working through local facilitators						10,000 MSEs
Total number of MSE producers linked with the commercial market	Creation of commercial backward and forward linkages	Deloitte, working through lead firms and producer groups						500 MSEs
Approved subsector selection presentations and reports	Identification and selection of subsectors for BDS market development assistance	Deloitte and short-term technical assistance						2 subsectors
Approved presentation and report on selected business services	Conduct initial analysis in each sub-sector to identify constraints and appropriate BDS	Deloitte, ACDI/VOCA, and short-term technical assistance						3 initial business services identified in each of the 2 subsectors
Approved intervention concept papers	Conduct initial BDS market assessment of identified business services and design corresponding interventions	Deloitte, FIT Resources, and short-term technical assistance						At least 9 intervention concept papers
Market interventions awarded and approved	Award market facilitation interventions	Deloitte						At least 6 market facilitation interventions

*Note All figures are presented as cumulative*

**Annex B**  
**Life of Program Summary Workplan and Targets**  
September 30, 2002 – September 30, 2007

Indicators	Activities	Responsible Organization	Timeline	Year 1	Year 2	Year 3	Year 4	Year 5
<i>IR 7.3 Increased Access to Business Support Services for MSEs</i>								
Total Number of MSEs Accessing Commercial Business Services	-	-	Nov 2002- Sept 2007	2,500 MSEs	10,000 MSEs	20,000 MSEs	40,000 MSEs	80,000 MSEs
<i>IR 7.3.3 Non Financial Services Delivered Cost-Effectively Increased</i>								
Total number of Business Service Providers participating in the BDS Program target areas	Strengthening BDS provider capacity and supply	Deloitte, working through local facilitators and providers	April 2003 – Sept 2007	25 BSPs	100 BSPs	200 BSPs	400 BSPs	800 BSPs
Total number of MSEs aware of program assisted business services	Awareness creation among MSEs for business services	Deloitte, working through local facilitators	April 2003 – Sept 2007	10,000 MSEs	40,000 MSEs	80,000 MSEs	160,000 MSEs	320,000 MSEs
Total number of MSE producers linked with the commercial market	Creation of commercial backward and forward linkages	Deloitte, working through lead firms and producer groups	June 2003 – Sept 2007	500 MSEs	5,000 MSEs	10,000 MSEs	20,000 MSEs	40,000 MSEs
Approved subsector selection presentations and reports	Identification and selection of subsectors for BDS market development assistance	Deloitte and short-term technical assistance	Nov 2002 – Dec 2003	2 subsectors	3 subsectors	-	-	-
Approved presentation and report on selected business services	Conduct initial analysis in each sub-sector to identify constraints and appropriate BDS	Deloitte, ACDI/VOCA, and short-term technical assistance	Feb 2003 – Feb 2004	6 business services	9 business services	-	-	-
Approved intervention concept papers	Conduct BDS market assessment of identified business services and design corresponding interventions	Deloitte, FIT Resources, and short-term technical assistance	March 2003 – Feb 2007	9 intervention concept papers	21 intervention concept papers	33 intervention concept papers	42 intervention concept papers	48 intervention concept papers
Market intervention awarded and approved	Award market facilitation interventions	Deloitte	April 2003 – March 2007	6 tenders awarded	14 tenders awarded	22 tenders awarded	28 tenders awarded	32 tenders awarded

*Note All figures are presented as cumulative*

**Annex C**  
**Performance Monitoring Plan**  
September 30, 2002 – September 30, 2007

Indicator	Definition	Data Source	Responsibility of Collection / Reporting	Frequency of Collection / Reporting	Baseline	Target
<i>IR 7.3 Increased Access to Business Support Services for MSEs</i>						
Total Number of MSEs Accessing Commercial Business Services	Total number of MSEs accessing program-assisted commercial business services. Commercial business services refer to those services that are un-subsized or provided on an operational cost-recovery basis. Business services are disaggregated by both financial and non-financial. Nonfinancial services refer to any service that improves the performance of an enterprise, its access to markets, and its ability to compete. This includes a wide array of both strategic and operational services. A micro-enterprise is defined as a venture with less than 10 employees while a small enterprise refers to a venture employing more than ten but less than 50 persons. "Accessing" refers to a transaction-based relationship, either for fee or embedded within a commercial arrangement.	BSP and Facilitator Reports	Collection: Facilitators and Providers  Reporting: Deloitte	Collection: Ongoing  Reporting: Semi-Annual	Nov '02: 0	Sept '07: 80,000
<i>IR 7.3.3 Non Financial Services Delivered Cost-Effectively Increased</i>						
Total number of Business Service Providers participating in the BDS Program target areas	Tracks growth in the number of business services providers in the market. Greater participation by multiple business service providers in each subsector market leads to a more cost-effective delivery due to increased competition. Hence increased number of business service providers is used as a proxy indicator for cost-effective service delivery. A business service provider is any entity providing a business development service in a commercial (unsubsidized) manner. This term may include, but not limited to individual consultants, universities, private sector consulting firms, extension agents, processors, input suppliers, lead firms, etc. Commercial business services are those that are unsubsidized or provided on a full cost-recovery basis.	Project records and partner's management information systems	Collection: Independent short-term technical assistance  Reporting: Deloitte	Collection: Annual  Reporting: Annual	At the beginning of work in each sub-sector	Sept '07: 800 BSPs
Total number of MSEs aware of program assisted business services	Measures the total number of micro-and small-enterprises aware of program assisted business services.	Usage, attitude, and image surveys; facilitator data; post-service evaluations	Collection: Independent short-term technical assistance and facilitators  Reporting: Deloitte	Collection: Ongoing  Reporting: Annual	Nov '02: 0	Sept '07: 320,000
Total number of MSE producers linked with the	Measures the total number of micro- and small-enterprises that have been integrated into the commercial	Facilitator data; lead firm data; project	Collection: Deloitte	Collection: Ongoing	Nov '02: 0	Sept '07: 40,00

Indicator	Definition	Data Source	Responsibility of Collection / Reporting	Frequency of Collection / Reporting	Baseline	Target
commercial market	market through forward and backwards linkages in each subsector	records	Reporting: Deloitte	Reporting: Annual		
Approved subsector selection presentations and reports	Measures the completion of subsector selection analysis	Program report and presentation	Collection: Deloitte Reporting: Deloitte	Collection: N/A Reporting: As sub-sector are identified (within first 14 months of program implementation)	Nov '02: 0	Dec '03: 3 subsectors identified
Approved presentation and report on selected business services	Measures the identification and prioritization of business services for program assistance	Program report and presentation	Collection: Deloitte Reporting: Deloitte	Collection: N/A Reporting: As identified through sub-sector analysis, (February 2003-February 2004)	Nov '02: 0	At least 9 business services selected
Approved intervention concept papers	Measures the design of market facilitation interventions	Program records and reports	Collection: N/A Reporting: Deloitte	Collection: N/A Reporting: Quarterly and Annual	Nov '02: 0	Feb. 2007: 48 concept papers approved
Market interventions awarded and approved	Measures the award of market interventions	Intervention Fund records and program reports	Collection: Deloitte Reporting: Deloitte	Collection: Ongoing Reporting: Quarterly and Annual	Nov '02: 0	Mar. 2007: 32 tenders awarded