



Kenya BDS

Kenya Business Development Services Program

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

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Emerging Markets Group, Ltd.

YEAR 2 ANNUAL REPORT

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I. EXECUTIVE SUMMARY

Year 1 of Kenya BDS focused on a number of critical upfront activities, such as the selection of subsectors of high growth potential, identification of constraints in the supply chain, design of program interventions, roll-out of the Market Intervention Fund, and launch of initial field program activities. Year 2 represents a shift in program focus, as efforts have concentrated almost exclusively on field implementation.

Field implementation has been largely characterized by pilot interventions that were designed and tested in response to specific market constraints. As these are pilot activities, those interventions that were shown to be successful have been ramped up and replicated, while those that failed to commercialize were modified or discontinued. This model has been effective over the past year, and has already positively impacted growth within the treefruits and Lake Victoria fish subsectors.

Field experience has increasingly shown that producer group formation is critical in order for MSEs to access market opportunities, purchase inputs in bulk, or receive other business services in a cost-effective manner. By the end of Year 2, Kenya BDS had facilitated the development of 158 groups, representing over 3,900 smallholder farmers. Each of these groups possess certain characteristics necessary to succeed such as: joining criteria based upon shared business objectives; membership ranging from between 20-30 members; self-elected leadership; formal group registration; group-level bank account; regular weekly group meetings; mission statement and constitution; and most importantly – a clear understanding and commitment among members to make decisions and market as a single unit. In passion fruit alone, Kenya BDS has sensitized over 2,000 smallholder farmers on the importance of passion fruit as a high value crop, created over 10 treefruit group nurseries, and organized 657 farmers into 24 strong producer groups with a total of 48,286 vines. Approximately 23% of participating smallholder farmers in the passion fruit-related activities are women.

Benefits from producer group formation are only realized however if farmers have direct access to market opportunities. Over the past year Kenya BDS has facilitated market linkages with 16 lead firms, including several industrial fish processors and fishing gear wholesalers, as well as processors, exporters, and supermarkets in the treefruit subsector. In total 1,772 rural MSEs have been linked with the commercial market, 40% of which are women. Many of these linkage arrangements are formalized through memorandums of understanding and supply contracts to ensure the rights of MSEs are protected. In avocados alone, activities under East African Growers have expanded to include 803 smallholders that are directly linked through supply contracts. During the past quarter, Kenya BDS was able to formalize relationships with two additional exporters – Kenya Horticultural Exporters (KHE) and Indu-Farm Ltd. for a similar backwards linkage activity. These three exporters alone will directly impact over 2,000 smallholder farmers with increased incomes (2-3 times the price previously offered by brokers) as a result of more efficient supply chains.

In addition to market linkages, Kenya BDS has been working to ensure that smallholder farmers have access to those skills and resources necessary to compete. This entails the development not only of human resource capacity, but development of those local institutions and service providers that can build such capacity on a sustainable basis. By the end of Year 2 over 23,400 MSEs were accessing commercial business services, a number exceeding planned targets by

188%. To support increased demand, our Program also facilitated the development of 322 business service providers, a number also exceeding the original target by 307%. Service providers are varied, and have included extension officers, agro-stockists, beach-based fishing gear retailers, market information providers, commercial nursery operators, and even brokers of savings mobilization services.

During Year 2 serious efforts were also committed to advancing the learning agenda in business services. Activities in producer group formation, business linkages, and facilitation of embedded services received significant exposure at numerous donor forums, while Kenya BDS has increasingly been seen as a contributor to emerging best practice. Over the past year, the Program was prominently featured at major MSE development conferences worldwide including: the World Bank/IFC workshop on Supply Chain and Business Linkages in Johannesburg, South Africa; the SEEP Network Workshop on Reducing Poverty with Economic Growth in Washington, D.C.; the UN/ILO BDS 2004 Seminar in Chiang Mai, Thailand; the National BDS Seminar in Naivasha, Kenya; and the Springfield Centre BDS 2004 Seminar in Glasgow, Scotland. The Market Intervention Fund facility through which Kenya BDS competitively awards tenders to local contractors has also been recently emulated by DFID (Challenge Grant Fund) as well as the new World Bank Value-Chain/BDS Competitiveness Activity (Matching Grants Facility).

Activities designed to leverage private sector participation, link producer groups to high value market opportunities, and facilitate access to commercial business services will be furthered during Year Three in both the Treefruit and Lake Victoria Fish Subsectors. Anticipated reductions in funding will however limit the number of opportunities available.

II. INTRODUCTION

The Kenya Business Development Services Program (Kenya BDS) is a 5-year micro- and small enterprise (MSE) development program funded by the United States Agency for International Development (USAID). The objective of Kenya BDS is to increase growth and incomes among rural MSEs through: 1) access to markets; and 2) access to business services to compete in those markets. Specifically, the program will select subsectors of high growth potential for MSEs, and identify market inefficiencies along the value-chain. As critical constraints are identified, the program will facilitate the delivery of appropriate business services to rural MSEs on a commercial basis.

Since January 2003, Kenya BDS has been working within the Tree Fruits subsector, with a focus on avocado, passion, and mango fruit. Based upon the geographical locations of the fruit, activities are targeted in the Central, Eastern, and Coastal Provinces. Kenya BDS has also targeted the “Lake Victoria Fish” subsector, with a focus on Nile Perch, Tilapia, and Dagaa throughout Nyanza and Western Province.

Key activities to date in both subsectors have focused on those service areas deemed critical for MSE growth, and vital to improved efficiencies within the supply chain. Areas of particular emphasis include producer group formation, business linkages, commercialization of input supply and extension services, savings mobilization, cluster development, and embedded service facilitation between lead firms and MSE producers. Figures A and B illustrate the critical supply chain constraints identified in each of the targeted subsectors, and the corresponding business services.

The following document represents the Year Two Annual Report submitted on behalf of Kenya BDS, which comprises the implementation period 1 October 2003– 30 September 2004. This document is organized in accordance with the new progress reporting requirements detailed in the USAID correspondence of 21 September 2004.

Figure A: Constraints and Corresponding Business Services in the Treefruit Subsector

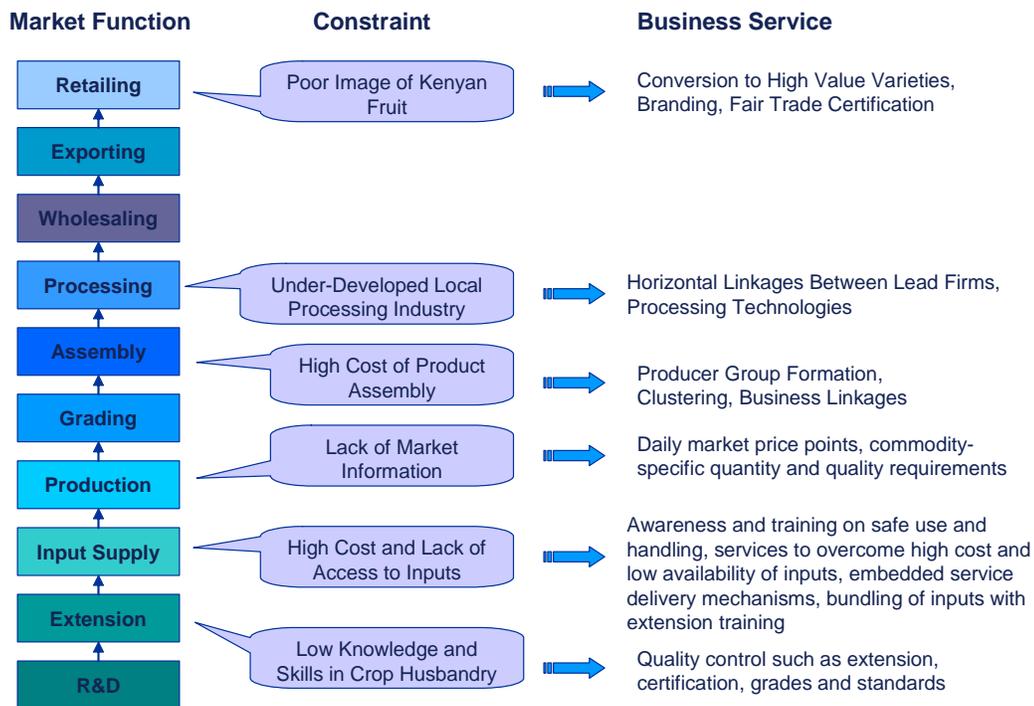


Figure B: Constraints and Corresponding Business Services in the Lake Victoria Fish Subsector



III. ACHIEVEMENTS

As of the end of Year 2, Kenya BDS has achieved and surpassed the majority of targets specified under the Year 2 Performance Monitoring Plan. Table A offers a brief summary of PMP targets and (cumulative) results achieved. Please refer to Annex A for a complete listing of process, performance, and IEHA indicators and results tracked under this program.

Table A: Performance Monitoring Plan Achievements

S07 PMP Indicators	Year 2 Targets	Yr 2 Results	% Achieved
Total number of MSEs accessing commercial business services	12,500 MSEs	23,479 MSEs	188%
Total number of Business Service Providers participating in the BDS Program target areas	105 BSPs	322 BSPs	307%
Total number of MSEs aware of program assisted business services	40,000 MSEs	90,922 MSEs	227%
Total number of MSE producers linked with the commercial market	5,000 MSEs	1,772 MSEs	35%

Total number of MSEs accessing commercial business services – To enhance the competitiveness of a given industry, it is essential that MSEs have access to critical resources and services. The significant achievement made under this indicator was partially a result of the extensive outreach of agrochemical stockists providing pesticide safe use and application advisory services for rural MSEs. In exchange for the purchase of an insecticide, fungicide, pesticide, sprayer, or other related farm input equipment, an agrochemical stockist would provide the MSE consumer with a business service such as how to diagnose your crop, how to spray, methods on practicing IPM, or techniques on storing or disposing of agrochemicals. The cost of delivering the service to the MSE was embedded in the commercial transaction. During the course of one year, Ideal Business Link (IBL) developed 30 accredited and licensed agrochemical stockists. As a result of program activities, 60% of the agrochemical stockists have improved their record keeping, 73% are offering advisory services on an ongoing basis, and 67% have reported increased sales.

Kenya BDS was also able to facilitate access to commercial business services by “bulking” services and offering them to producer groups of MSEs. Over the past year Kenya BDS has placed significant effort on the identification and formation of smallholder farmers into strong producer groups for marketing purposes. A lesson learned is that donor practitioners frequently distort the term “producer group,” and choose to rapidly classify a grouping of farmers as such regardless of their maturity. Group formation is a delicate process of relationship-building and “culture change.”

In the treefruit subsector alone, Kenya BDS has facilitated the development of 158 producer groups, representing over 3,900 smallholder farmers in Eastern, Central, and Coast Province. Each of these groups has at some level already benefited from their existence with the bulking of inputs, accessing of business services, or linking directly with lead exporters and processors. In each of these, it is important to note that Kenya BDS has maintained a strict rule of facilitating

group development and handholding their evolution while refraining from assuming those roles which should or can be provided by the private sector.

To improve the quality and productivity of avocado orchards, a key area of Kenya BDS activities over the last year have revolved around the increased availability of support services and agricultural inputs to farmers. During the pilot phase of the avocado program, Kenya BDS worked in collaboration with lead exporter, East African Growers Limited (EAGA), to provide extension services on the adoption of good agricultural practices and developed locally available harvesting, grading and agrochemical application service providers. In addition, EAGA has enabled farmers to achieve technological advancement in crop protection through provision of 12 motorized spray pumps, never before used by avocado farmers in the area, as well as sufficient supply of agrochemicals for farmers participating in the program. Overall, a total of 66 locally available services providers have been developed and are providing services to farmers through embedded arrangements in the commercial transactions between farmers and EAGA. Under these arrangements, farmers are not required to pay upfront for these services but, rather, these costs are directly met by EAGA and later passed on to farmers through pricing and payment arrangements for their fruits. To date all farmers participating in the program are accessing commercial services in these areas and indications are that there are significant improvements in the quality and productivity of orchards. Estimates show that the proportion of farmers' produce meeting export quality during the coming harvest season is expected to go up from 5 – 10 percent to an un-preceded 65 – 75 per cent.

Facilitating Access to Market Information Services for Enhanced Agricultural Trade

Over the past year, Kenya BDS has been supporting the Kenyan Agricultural Commodity Exchange (KACE) to facilitate increased availability and use of market information among farmers, traders, and buyers of treefruits through information and communication technology. Through rural based market information points (MIPS), smallholder farmers are able to participate in rural-based trading floors that are linked through an electronic information system that allows smallholder farmers in one area to link with buyers in different areas. Through a partnership with the mobile phone company Safaricom, KACE has developed a service that allows access to daily agricultural commodity prices, extension messages, and even the opportunity to sell or bid via short messaging services (SMS) technology. To date over 879 smallholder farmers have successfully placed orders through this commercial service.

In the Lake Victoria Fish Subsector, an innovative program was launched in the last quarter of Year Two to facilitate increased access to fishing gear among rural fisherfolk in Suba District. Awarded to local facilitator Africa Now, the intervention will carry-out a number of interventions to overcome this market constraint. These include establishing a network of local input suppliers; a hire purchase check-off system; a micro-leasing mechanism to address the financial constraints facing fisher folk who wish to acquire more equipment; and the facilitation of business linkages between equipment suppliers (particularly Kisumu and Homa Bay) and local retailers at the beach. Over the past three months, Africa Now has held several discussions with District fisheries officers who have promised to provide technical inputs with regard to fishing gear specifications. During the month of June, the project also held introduction barazas with nine beach management units both in mainland beaches in Suba as well as those on Rusinga Island. During the same period, Africa Now also identified and held discussions with several hardware stores as potential leverage partners. The program is expected to assist at least 500 rural-based fisherfolk access fishing gear inputs commercially, and develop 10 retail outlets along the lakeshore as commercial retailers of such equipment.

Total number of Business Service Providers participating in the BDS Program target areas -

Targets for this indicator were exceeded by 307% by the end of Year 2. This was a cumulative result from a variety of interventions, most noticeably the avocado backwards linkage activities. For example, under the East African Growers activity alone, 66 service providers were developed in areas related to spraying, picking, pruners, grading, agronomy, and technical field supervision. As a result of Kenya BDS, they are now providing services commercially on an independent basis.

Within Coast Province, a critical constraint identified during subsector analysis was the lack of understanding in proper crop husbandry on behalf of smallholder farmers. To overcome this barrier Kenya BDS targeted the commercialization of extension services as a critical business service. By the end of Year Two, 145 extension service officers had been developed in the mango subsector alone. A critical lesson learned from this experience is that commercializing technical assistance alone is difficult. However, when coupled with a business service such as pruning or spraying, an extension officer can operate profitably within the private sector.

Commercial treefruit nurseries may also be classified as service providers, particularly as they respond to the constraint of access to quality seedlings. Through a contract to local facilitator KADI (Kamurugu Agricultural Development Initiatives), Kenya BDS is increasing the availability and supply of treefruit planting materials to smallholder farmers in Mbeere and Machakos Districts. As of the end of Year Two, 6 certified commercial mango nurseries had been established, each with a capacity to raise over 5,000 mango seedlings (total of 30,000 seedlings). For quality control, each of the nurseries will shortly be registered and certified by the Horticultural Crops Development Authority (HCDA) and the Kenya Plant Health Inspectorate Service (KEPHIS).

Improved Access to Seedlings – Public/Private Partnership in Meru for Improved Access to Seedlings

The passion fruit activity in Meru and Embu has similarly promoted the development of commercial nurseries. An important component in this intervention has been the completion of a major demonstration plot and nursery over the past year. With the land donated from Just Juice, Ltd. (a local juice processor), and the technical and material inputs provided by KARI, the Kithoka site represents the success that may be achieved through public/private partnership. During a recent visit to the Kithoka Site, Dr. Macharia Gethi, Director of KARI/Embu, remarked “The Kithoka site has emerged as an important venue to assist farmers in two areas critical for passion fruit production – extension services and quality seedlings. It ‘tells all’ to farmers.” By November 2004, the site itself will be producing 5,000 grafted purple seedlings a month. Revenue from the sale of seedlings as well as fruit from the demonstration plot (409 mature vines) will eventually allow Kithoka to operate as a commercial venture. Meru-based Peace Corps Volunteer Danny Canarick is assisting in this transition.

The demonstration plot has played an important role in stimulating farmer-led production of seedlings. To date, 5 group nurseries and 23 farmer-level nurseries have been established to address a chronic shortage of quality seedlings to farmers. While these nurseries are still young, it is expected that within the next three months, they will be in a position to substantially supplement the seedling supplies by KARI and other commercial sources that have so far been unable to meet the growing demand for seedlings from participating farmers.

One particular intervention in the Lake Victoria Fish Subsector has provided a unique integration of financial and non-financial services in this Kshs 6.9 billion industry. Through a contract to the locally-based Resource Mobilization Center (RMC), Kenya BDS is facilitating increased access to savings mobilization through the development of local service providers. In just the first quarter alone, the facilitator has developed 11 local service providers to work as “change agents”

within the fishing communities. Their role is to sensitize fisherfolk on the value of savings, and mobilize them as potential clientele for financial institutions. RMC simultaneously works on the supply-side to bring reputable financial institutions to the beach. In just the first 3 months of this intervention, the local consultants are already being hired by financial institutions for their services. Three beach offices are being constructed by SAGA (Kisumu-based MFI), and over 300 fisherfolk have already purchased pass-books and commenced savings deposits.

Working with providers who are on the ground (based at the beaches) and offering services in such a way that the local consultants can relate to has proven successful. The push and pull effect with financial institutions is also important. Once the model with SAGA is successful, it will pull along other financial institutions. Discussions have already extended to 4 additional financial institutions, including AFC and Standard Chartered Bank where final arrangements are already being discussed at the board level.

Total number of MSEs aware of program-assisted business services - Results under this indicator exceeded targets by 227%. The various sensitization barazas and stakeholder meetings in both the treefruit and fish subsectors served to stimulate program awareness. The print media articles by IBL, as well as radio programs on Waumini, Ramogi, and Citizen served to sensitize both fisherfolk and smallholder farmers alike. Voice of America has also aired four features around the Kenya BDS fish activities in Suba District. Over the past year, program-assisted facilitator IBL was particularly successful in leveraging private sector funds for awareness-building events. For example, rather than applying USAID funds to post an awareness building article on “pesticide safe use and handling” in the *Daily Nation*, the local facilitator leveraged funds from Farmchem, Equity Building Society, Anatone, Osho Chemical Industries Ltd., and Agricultural Finance Corporation to sponsor the two-page spread in exchange for advertisement space.

From October 13-14, Kenya BDS co-hosted a National BDS Conference in Naivasha, Kenya, providing an additional opportunity to discuss our methodology and business services targeted. The number of 90,922 MSEs is a conservative estimate.

Total number of MSEs linked with the commercial market – Competitiveness is achieved through increased efficiencies in the value chain. A critical focus of Kenya BDS over the past year has been the facilitation of horizontal and vertical linkages in the treefruit subsector, and forging “win-win relationships” with both lead buyers and smallholder farmers. A program will only succeed if driven by mutually-beneficial bottom-line incentives.

Table A indicates that only 35% of MSE producers were linked with the commercial market. Brokering matchmaking meetings and discussions between exporters and MSE producer groups was a regular occurrence under Kenya BDS activities, however facilitating actual sales between the two parties has been a particular challenge. We take the latter as our definition of an actual “linkage.” Unlike other donor-funded programs, Kenya BDS has taken a firm stance against embedding ourselves in the supply-chain, and assuming roles which should be undertaken by the private sector (i.e. financing, transport, collection, etc.). Maintaining a strict adherence to these principles has resulted in a delayed achievement of results, as we build the capacity of private sector entities to assume this role. Additionally, our position is that MSE producers cannot be linked to the market until they are organized into well-managed and transparent producer groups. Producer group formation is an important but time-consuming activity by Kenya BDS, which has resulted in a slower than expected number of farmers “linked” thus far.

During the past year, efforts in this area have culminated in establishment of direct market linkages between farmers and three of the leading avocado exporters in Kenya – EAGA (largely UK market), Kenya Horticultural Exporters (French market) and Indu Farm (Dutch, Germany and Scandinavian markets) – with a combined share of over 60% of Kenyan avocado exports. EAGA was the first firm to enter into direct collaborative marketing relationship with farmers beginning August 2003. Over the past year, the export company has expanded its activities and is currently working with 29 producers with 803 farmers, expected to reach 1,000 by December 2004 with an avocado tree population of 20,000. Approximately 40% of the participating smallholder farmers are women. Formalized through supply contracts, EAGA offered a guaranteed market to all participating farmers for all grade 1 fruits at a price 250 – 350 percent higher than what they were getting from brokers. Combined with the continued provision of embedded services in extension, grading, picking and agrochemical application, this has set a completely new tempo of enthusiasm among avocado farmers, and has served as a leverage point for expansion. Kenya BDS has already replicated similar linkage arrangements with KHE and Indu Farm in adjoining areas of Maragua District – the two with a target of 1,100 farmers over the next one-year. An interesting aspect in the continued development of market linkages has been the emergence of additional exporters, notably Sunripe Limited, that have started similar programs on their own modeled along the lines of EAGA. Some of these are even targeting similar geographical zones as the exporters working with Kenya BDS, in essence introducing aspects of competition. While this could be disruptive at this early stage of program development, Kenya BDS still views it favorably since it introduces elements of choice for farmers, and keeps the exporters on their toes in the provision of agreed services.

Strong inter-firm collaboration is also critical to enhancing competitiveness of a given industry. Over the past year Kenya BDS has operated in a number of areas to strengthen horizontal linkages. In the treefruits subsector, Kenya BDS has fostered inter-firm cooperation between a major exporter (East African Growers) and two local firms (Ruiru Natural Oils Ltd. and All Green Ltd.) for crude oil processing of grades 2 and 3 avocados. This not only enhances efficiency in the supply chain, but guarantees the smallholder farmer that all grades of avocado picked (1-3) will be collected. Relationships with these firms will be firmed up during the early part of the coming year before the on-set of the main avocado harvesting season of February – May.

Linking Producers to Markets

Market linkages in the treefruit subsector has not been solely limited to avocados. In the passion fruit market, Kenya BDS has organized over 657 smallholder farmers into 26 producer groups in Central Kenya. Approximately 23% of participating smallholder farmers are women. Direct market linkages have already been made between farmers and Greenlands Agroproducers Limited, a medium-size export company, as well as EAGA. The latter started buying fruits from farmers in August 2004, and has offered a price increase of 40% from what brokers have been paying. In addition, the exporter has already stationed an agronomist in the area to specifically deal with issues related to passion fruit under the program, and has also undertaken to provide agrochemicals to farmers on credit basis. The market linkage activity will be expanded in the coming year to reach 2,000 farmers.

In Coast Province, over 300 mango farmers in Malindi District have developed linkages with Uchumi, Jakal, and a local juice processor, and are earning 3-4 times the price previously received by brokers. In Eastern Kenya, 407 smallholders (16 groups) are now selling mangoes directly to Vegmon, Keitt, Lotec, and Kpak.

IV. CHALLENGES

From time to time, implementation challenges are noted among some of the program-assisted facilitators. When identified, Kenya BDS has assumed a proactive role to get the program “back on track.” At times this has entailed direct technical assistance, and on other instances this has involved modifying the contract to ensure the appropriate technical resources are sourced. However, each contract is performance based. Those facilitators that fail to respond accordingly or achieve the results specified in their contracts are discontinued. Specific examples of facilitators that have faced such challenges are detailed in the regular Kenya BDS quarterly reports.

For this annual report, the following section details a few macro-level challenges currently faced by the program:

Good facilitators are few, while briefcase facilitators are many – Per the BDS Donor Guidelines, the definition of a facilitator is any organization that has as its primary aim the development of a local business service market. This is a donor-induced term, and has little meaning to many Kenyan based organizations. Therefore there exist a limited number of entities working in this area, which presents a challenge for Kenya BDS when tendering market interventions. Over the past year a significant level of due diligence has been conducted to identify and weed out those facilitators that are either very weak or exist merely to scam the donor. A few instances were discovered where a local facilitator approached several donors with the same proposal with the intentions to double-dip or multi-source funding. As Co-Chair of the BDS Donor Committee, Kenya BDS has played an active roll in vetting local organizations with other donors to minimize foul play.

Cost-benefit of tendering model – While the Kenya BDS model of tendering out market interventions among local facilitators has many benefits (i.e. enhances use of local resources, transparency in contracting, flexibility, maximizes impact and outreach), certain aspects can be time consuming. These include the pre-registration and pre-qualification of local service providers, drafting intervention tenders, reviewing and awarding contracts, approving and facilitating fund disbursements, monitoring and evaluation. To date Kenya BDS has reviewed over 200 applications, pre-qualified over 125 local facilitators, and tendered 15 interventions. A challenge over the past year has been conducting these activities efficiently with a 3 person technical staff. To streamline activities, a process and procedures manual was developed, as well as a collection of templates and forms that is consistently applied with each contractor.

Anticipated Year 3 Reduced Funding – Kenya BDS has been informed that funding constraints within the USAID/Kenya Mission will likely result in reduced monies available under Year 3. To ensure that existing program funds are sufficient to cover ongoing operations, Kenya BDS placed a temporary halt on the design and tender of new interventions towards the end of Year 2. This explains the decision to target 2 subsectors instead of 3, and the lower than expected intervention tenders drafted and submitted to USAID (15 instead of 21). Reduced funding will likely result in fewer programs supported during Year 3, which may have a damaging effect on interest in the Market Intervention Fund among local facilitator organizations.

At the level of commodity-markets, a few challenges can be noted which Kenya BDS is attempting to proactively address:

- A major challenge for Kenya BDS during over the past year was building trust between farmers and exporters, which had collapsed during many years of unscrupulous business practices. Both farmers and exporters have been extremely suspicious of little occurrences emanating from the other party that do not strictly conform to expectations. A delay in arrival of a collection truck, delay in farmer payments by even a day, un-announced high-level field visits of officials of the exporter, etc. have at times been viewed by some farmers as indicators of an ulterior motive and insincerity on the part of the exporter. Harvesting of low quality fruits and shortfalls in volumes of harvests among other similar occurrences have also been treated with extreme reaction from the exporter as indicators of insincerity on the part of farmers.

Kenya BDS has dealt with this by realizing that building trust is a slow and intricate process that is prone to setbacks and requires firm hand-holding. Kenya BDS sees this as perhaps the most critical input in establishing direct market linkages and has positioned itself to expeditiously address these issues once they arise. Proactive measures taken include establishment of efficient communication channels, drawing up detailed supply contracts clearly spelling out responsibilities of each party, and training of group leaders to always be in a position to bring their members to see the longer term view. This approach enables minor setbacks to be dealt with from a positive perspective.

- Other challenges faced by Kenya BDS during the year include the sudden collapse of the only (then) existing avocado oil processing plant in Kenya at the start of the harvest season in March when all arrangements had been put in place to take all grade 2/3 fruits from farmers.
- The unfavorable name of Kenyan avocados in the European market continues to be a challenge to the program particularly in relation to pricing once the fruits of competing countries are in season. Kenya BDS is working closely with EAGA to brand avocados from the program, and is also looking at fair-trade certification to maximize better prices in the international market that would directly translate into increased incomes for the farmers.
- Availability of quality passion fruit seedlings has been a major challenge for the program over the past year. At the start, it was assumed that KARI would have the capacity to supply the required seedlings, at a cost, to farmers. It soon became clear however that KARI did not have a sufficient established capacity to supply the needed seedlings to farmers. This challenge is being addressed through diversification of alternative sources of supply through establishment of group and farmer-level nurseries, as well as adoption of mechanisms for certification of private nurseries to qualify them to supply seedlings to participating farmers.
- While on overall it can be viewed from a positive perspective, the existing excess demand for passion fruit both in the domestic and export markets has proved to be a challenge to the program during the year. This gap is enabling brokers at times to offer prices higher than the fixed prices agreed with the exporter, making the relationship between farmers and the exporter quite precarious, with some farmers in weaker groups still opting to sell their fruits to brokers at such times.

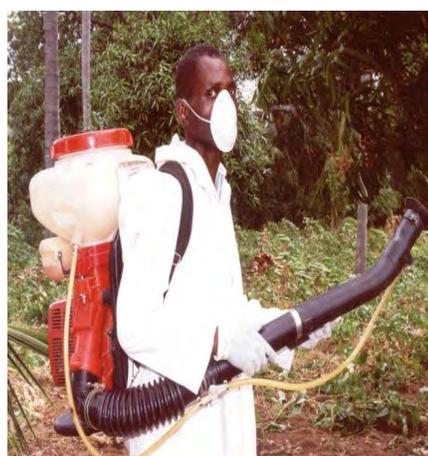
V. SUCCESS STORIES

Tending tree fruits (specifically mangoes) has for a long time been an activity greatly shunned by farmers in Malindi. Many factors contributed to this, but chief among them was ignorance. The mango tree was looked at as a naturally growing crop and thus needed no attention. Farmers were content with the marginal yield they would get from their mango trees. To address this constraint, Kenya BDS funded an intervention implemented by Kenya Gatsby Trust (KGT) to facilitate the development of Commercial Extension Service Providers (CESPs).

Capacity-building and development of the CESPs has revolutionized this perception. Where farmers had once been skeptical about the value of Extension services, or preferred a “wait and see” attitude, many are now actually paying to have their crop serviced by the CESPs. Currently there are 26 active CESPs who have managed a turnover of over Kshs. 45,000 over a period of 8 months. Of this, over 50% has been through Charles Thoya’s efforts.

Charles Thoya

Charles Thoya was born on October 1973 in Mgandeni Village, Goshi location, Malindi District. He is the last born in a family of 10. His education includes language school, as well as having reached O levels. Thoya also participated in a course on Farm Nursery Management with the Farm Forestry project. Before undergoing the CESPs training, Charles Thoya was involved in mango farming activities. He also maintained a commercial seedling nursery. From his Nursery, he earned close to Kshs. 700¹/= per week. Charles has 3 family members directly depending on him, and his main source of income was through mango farming as well as his commercial nursery.



Although he was providing nursery services on a commercial basis, Thoya could not adequately meet the needs of his clients regarding management of their crops. Moreover, he grappled with inputs for his mango activities, since he did not know which ones to use at different stages of the tree cycle. Through a local notice, Charles heard about the CESP development program and decided to enroll. Although Charles knew he badly needed training on Mango Crop Husbandry, nothing at that time pointed to the fact that the training would soon revolutionize his life.

During the training, Charles was skilled in issues related to Mango botany, propagation, orchard management, pest and disease control, post harvest handling and the provision of extension services as a business. The training (delivered by KARI, courtesy of the Kenya BDS Program) not only strengthened his technical knowledge, but revealed the possibility of actually providing such services to other farmers as a business.

Staying ahead of the pack

Although 60 other participants attended the CESP training, Charles felt he could succeed provided the business received the attention it deserved. He immediately adopted a number of marketing strategies. First, Charles began applying his new skills to his personal farm as a means

¹ Close to USD 9 at the current exchange rate of 1 USD=Kshs. 81

of “winning the hearts” of skeptical farmers. This strategy was successful. As the yields increased on his personal farm, neighbors who witnessed the turnaround began lining up for assistance. Second, Charles went out of his way to proactively contact individual farmers and sell himself as a “one-stop” service provider. Among the services he offers are pruning, bush clearing, banding, spraying, and general crop husbandry advice. Charles also attended public gatherings including barazas to market his services. Finally, Charles maintained flexibility in negotiating payment periods charged to his clients. When farmers are unable to pay 100% cost of the services up front, installment terms are negotiated. These factors, he says have given him a cutting edge and enabled him to stay ahead of the pack as a business service provider.

A land mark achievement

Charles began by providing services to farmer groups that were identified and formed under the Kenya BDS project. However, he soon discovered that there was immense potential to be exploited in providing these services to additional farmers as well. These include both mango as well as cashew nut farmers.

Charles considers the CESP capacity-building program to have been a big personal success. With his earnings having increased from Kshs 2,800 to 4,800 per month, his monthly income has improved by over 71%.

Charles Thoya is not done yet, and regards his current achievements as just the beginning. There have been challenges along the way, for instance in accessing equipment and inputs for spraying, but he is not letting these get in his way. Charles has plans to expand his business further and capture a wider market. He intends to increase the size of his nursery to cater for the needs of mango farmers in the entire location. In addition, he is looking for opportunities to increase his knowledge and skills through further training in disease and pest control to better serve his clients. As a commercial extension service provider, Charles can see a bright future ahead.

Annex A

Performance Monitoring Plan

Annex A
Year Two Performance Monitoring Plan
October 1, 2003 – September 30, 2004

Indicators	Activities	Responsible Organization	Year 1 Targets	Year 1 Results	Year 2 Targets	Year 2 Results	Percentage Achieved
IR 7.3 Increased Access to Business Support Services for MSEs							
Total Number of MSEs Accessing Commercial Business Services			2,500	1570	10,000	23,449	234%
			-	-	2,500	30	1.2%
IR 7.3.3 Non Financial Services Delivered Cost-Effectively Increased							
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	25	100	308	308%
			-	-	5	14	280%
Total number of MSEs aware of program assisted business services	Awareness creation among MSEs for business services	Deloitte, working through local facilitators	10,000	3335	40,000	90,922	227%
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	405	5,000	1,772	35%
S07 Process Indicators							
Approved subsector selection presentations and reports	Identification and selection of subsectors for BDS market development assistance	Deloitte and short-term technical assistance	2 subsectors	2	3 subsectors	2	67%
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	6 business services	8	9 business services	15	167%
Approved intervention concept papers	Conduct BDS market assessment of identified business services and design corresponding interventions	Deloitte, FIT Resources, and short-term technical assistance	9 intervention concept papers	9	21 intervention concept papers	15	71%
Market intervention awarded and approved	Award market facilitation interventions	Deloitte	6 tenders awarded	6	14 tenders awarded	15	107%
IEHA Indicators							
# of rural households directly benefiting from interventions			N/A	-	No targets identified	18,783	-
# of agricultural firms directly benefiting from interventions			N/A	-	No targets identified	25	-
# of male individuals who have received training			N/A	-	No targets identified	13,206	-
# of female individuals who have received training			N/A	-	No targets identified	4,402	-
# of producers' organizations, water user, trade, business associations, or CBOs assisted			N/A	-	No targets identified	158	-
# of women's organizations/associations worked with			N/A	-	No targets identified	0	-
# of public/private partnerships formed			N/A	-	No targets identified	5	-

Note: All figures are presented as cumulative. The first two indicators presented are broken into treefruits and Lake Victoria Fish respectively.