
MAPS: KENYA,

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Phase III - Private Sector Diagnosis

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FINAL REPORT

*Bureau for Private Enterprise
U.S. Agency for International Development*

*Prepared for: Bureau for Africa
and
USAID/Kenya*

Prepared by: J.E. Austin Associates

*Sponsored by: Private Enterprise Development Support Project II
Project Number 940-2028.03
Prime Contractor: Ernst & Young*

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Ernst & Young

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1. OBJECTIVES OF THE STUDY

1.1 The objective of MAPS Phase III, diagnosis of the private sector, is to: a) develop a base of descriptive statistics on private enterprises operating in Kenya and b) develop information on the perceptions of the business community regarding:

- past, current and future investment climate;
- resource constraints to business development in the country;
- the effect of public policies on business growth;
- the role and effectiveness of business associations;
- interest in existing and potential growth and investment opportunities.

To this end a survey instrument was designed to gather data from all the major sectors in the Kenyan economy (see Exhibit 2 for the breakdown of the sample by sector and Appendix B for the terms of reference for this study). The topics covered by the survey included not just questions regarding the general business climate, but focused on perceived resource constraints in the areas of credit, labor, energy, transportation, communications, and land. In addition, it included questions on the effectiveness of the support provided by existing business associations. The survey was implemented over a period of six weeks starting in April and ending in May of 1989 by the Nairobi-based firm of Alexander MacLennan Trundell & Co. (AMT). A copy of the survey instrument is provided in Appendix A to this report.

The results of the survey will help the USAID Mission in Kenya develop indicators with which to trace the evolution of the private sector over time. They will also be of use in identifying new program/policy priorities in private sector promotion and targeting on-going program activities to this end.

1.2 Organization of the Report

The report is organized as follows. Section 2 presents the methodology used for gathering data on private sector perceptions. This includes a discussion of the scope of the survey, the sampling frames, the stratification techniques, and the key issues addressed by the survey. It also presents a discussion of the analytic tools used to understand and interpret the survey results.

Section 3 presents the major findings of the survey. It includes a description of the characteristics of the survey sample.

Section 4 summarizes the study's key findings and conclusions.

Appendix A provides a copy of the survey questionnaire and the frequency distribution for all respondents.

Appendix B provides a copy of the terms of reference for the survey.

2. STUDY METHODOLOGY

2.1 Survey Instrument Design

The survey instrument was carefully elaborated in terms of substance and language. It is the result of close collaboration between USAID Mission personnel, the MAPS Team consultants, and the survey experts provided by AMT.

2.1.1 Initial version of the Survey Questionnaire was reviewed by USAID. An initial version of the survey instrument was prepared during the first visit of the MAPS Team in February of 1989. All senior Mission staff had a chance to comment and suggest changes/additions to the questionnaire. A final version of the questionnaire was drafted and approval secured during the consultant's visit in April 1989.

2.1.2 Language was adapted to Kenyan environment. After agreement on the contents of the questionnaire was secured, the language and format of the questions was

revised, with the help of the survey experts at AMT. In particular, the language and the manner in which the questions were posed was adapted so that it would be understandable to the smaller entrepreneurs. Ambiguities in the meanings of some of the terms were clarified. The questions were formatted so as to facilitate post-survey codification and data entry by using pre-coded responses. The survey was also translated into Kiswahili.

- 2.1.3 Survey was modified based on the Pre-Test results. A team of ten experienced survey researchers at AMT studied the questionnaire and conducted the pre-testing exercise. A total of 40 enterprises were chosen at random for the pilot study. The enterprises selected for the pilot came from the manufacturing, service, commerce and agribusiness (commercial agriculture and agroindustry) sectors. Thus testing was aimed at obtaining a cross section of the target groups. The results from enterprises chosen for the pre-test were not included in the results of the full-scale survey.

About 90 percent of the firms included in the pilot survey were in the informal sector. It was thought that most of the problems in administering the survey would arise when dealing with the smaller, less sophisticated enterprises. It was important to ensure that the manner in which the questions were asked of the small firm would yield responses comparable to those obtained from the bigger firms.

Changes to the questionnaire which were required as a result of the pre-test entailed some restructuring in language (such as replacing the words "skilled" and "unskilled" labor with "trained" and "untrained"), and response categories. A section "for interviewer's reference" was also added to questions relating to percentages. The reference section served as an aid to the interviewer by providing space in the questionnaire to enter actual data. These data were later converted to percentages by AMT coders. This was done to assist interviewees in the smaller enterprises, since they often had difficulty conceptualizing in terms of percentages.

- 2.1.4 Interviewers were carefully selected and trained. AMT used a team of 15 interviewers. All interviewers selected for the team had university level academic qualifications and had been used by AMT in previous research. Interviewers were trained in a classroom situation by two experienced survey supervisors and the MAPS Team survey director. They spent 5 days conducting trial interviews under supervision.

2.2 Sampling Methodology

2.2.1 The sampling frame¹ was constructed from three distinct sources:

- formal sector firms drawn from the Central Bureau of Statistics (CBS) registry;
- formal sector firms drawn from a cluster sample;
- non registered/informal sector firms drawn from a cluster sample.

2.2.2 The CBS Registry. AMT identified several potential data sources for a survey of business establishments. On the basis of their assessment of the data bases, it was concluded that the Central Bureau of Statistics (CBS) data provided the most reliable and complete list of the formal sector enterprises available in the country. It included firms of all size categories operating in all sectors of the economy. The list provided information on firm size (number of employees) and sector which could be used to stratify the sample. The CBS list was sorted by size and sector as outlined in the terms of reference for the survey (Appendix B).

2.2.3 The cluster sample of formal sector firms. Once the full scale survey began, it became apparent that the CBS list was quite outdated. On average, approximately 40 percent of the firms appearing on the list could not be contacted either because they were no longer operating, had moved, did not have a telephone number where it could be contacted, or the phone number had changed. Since there was no other suitable list available, AMT created a new sampling frame based on geographical clusters. Every firm which had to be eliminated from the CBS list was replaced with a firm drawn from a geographic cluster. The clusters consisted of all the industrial and

¹The sampling frame excluded all parastatals, that is all firms in which the Government of Kenya had majority ownership. In cases where this could not be determined a priori, a question in the survey asked firms to specify what percentage of shares (where applicable) were owned by GOK. On average GOK owned only 2 percent of the shares of the enterprises included in the sample (refer to Appendix A, question 19).

commercial areas in the cities and towns identified for the survey. These clusters were first defined in a city road map² and enumerators then sent out to the areas to interview all firms in the area which met the sectoral and size criteria for the survey. In every case cluster firms which replaced CBS firms were similar in size and sector. Thus in the end the sample chosen for the survey was of similar composition as that first obtained by drawing a stratified random sample of the CBS list.

This methodology assumes that firms which go out of business or change are replaced by firms with similar characteristics; it implies that the formal private sector changes only very slowly over time. This is not an unreasonable assumption given what we know about the evolution of the Kenyan private sector. Private Sector Description results show that the sectoral contribution to GDP has remained largely unchanged in the country since 1972. They also show that the contribution of the formal private sector to employment by sector has remained fairly constant over the last 4 years.

2.2.4 The cluster sample for informal sector firms. It is likely that those firms employing less than 10 workers, but appearing in the CBS register are not representative of the universe of small scale enterprises operating in the country. Results from the Description of the Private Sector showed that informal (by definition non registered) establishments had been growing fast over the last decade. Informal sector contribution to employment and manufacturing GDP had doubled since 1980 for example. By relying on the CBS registry exclusively and even on a cluster sampling technique based exclusively in industrial and commercial areas, the survey could miss the more dynamic elements of the rapidly growing informal sector. Hence informal sector firms for the sample were identified using a cluster technique similar to that described above for the formal sector firms.

Approximately 20 percent of the total sample was reserved for non registered or informal sector firms. The geographic distribution of the clusters reflected the distribution of formal sector establishments in the country, as given in the Description and in the CBS list.

²AMT depended on the knowledge of enumerators well acquainted with each of the urban areas included in the survey to identify all such industrial/commercial clusters in the atlas; if no such atlas was available, as complete a list as possible was constructed based again on local knowledge.

In each town/city/district where formal sector firms were to be interviewed, AMT field personnel first established those geographical areas or clusters where informal sector firms operated. A sample of clusters was drawn from that list of clusters. The enumerators were given a methodology by the field supervisors for choosing at random firms within each cluster. The methodology ensured that the enumerators chose a sample within each cluster that was roughly representative of the sectoral distribution of firms in that cluster. This methodology minimized interviewer discretion in terms of whom to interview and so reduced the likelihood of systematic biases introduced in the manner in which the firms are chosen (e.g. that not only those firms operating next to the road, or on one sidewalk are chosen).

Note that the above procedure minimizes biases in the responses. But because the sample of the informal sector firms is a nonprobability sample we cannot generalize the results to the universe of informal sector firms in the country. We have no mathematical theory to stipulate the chance of any unit in the universe of being selected into the sample and therefore no basis for estimating population parameters. On the other hand, by minimizing biases when choosing the respondents we can be fairly confident that the responses will be a "good" (though not "statistically valid") representation of the population of firms found in the clusters chosen.

- 2.2.5 An attempt was made to include in the sample the main industrial sectors in the same proportion found in each sampling frame. However, this principle was not applied when the number of firms called for in the sample was less than 10 units. In such cases, at least 10 firms from that industry sector was included. A unit was then subtracted from the other industrial sectors at a correct statistical proportion. Hence the sectoral distribution in the sample deviates somewhat from the sectoral distribution in the sampling frames.

Exhibit 7 shows the distribution of firms in the sample by city, Exhibit 2 displays the sample distribution by industry sector.

- 2.2.6 Possible biases in the sample do exist. The rejection rate for this survey exercise was high (almost 60

percent) for firms owned by Kenyans of Asian origin.³ In every case, AMT sought to replace firms which rejected the interviewers with firms of similar characteristics. Hence, in the end the composition, both sectorally and ethnically, of the sample remained largely unchanged. But the high rejection rate unquestionably introduces the possibility of biases in the responses of businesses owned by Kenyans of Asian origin (which comprised roughly 26 percent of the total sample).

These biases are unlikely to be significant. Large biases would have certainly occurred if the firms which replaced those which chose not to respond were all bigger (or smaller), operated in a different sector or market, or in a different region of the country, or if their owners were all of a different ethnic group. As stated above every attempt was made to replace those firms which chose not to participate with firms which shared similar characteristics (in terms of size, sector, and ownership). In addition, a comparison of the characteristics of the firms sampled with data contained in the Description on the universe of private sector firms in the country reveals many similarities. The sectoral distribution, gender composition of the work force, market orientation, of both the universe and the sample are almost the same. This gives the analyst greater confidence in the reliability of the survey results and in the ability to extrapolate from the sample to the universe of firms operating in the country.

³A number of different approaches were attempted initially to reduce the overall rejection rate from the Asian community. Using interviewers who themselves were Kenyan of Asian origin did not make interviewees more willing to cooperate. In fact, it had the opposite effect. Hence in the end, no special attempt was made to match enumerators ethnically to respondents. Every attempt was made to use enumerators who were familiar with the area or region where the firm was located.

2.3 Survey Analysis

- 2.3.1 All survey variables and responses were coded, entered and processed by the AMT survey team. The data was entered in Dbase III and analyzed using Statgraphics, a software for statistical analysis. The raw data and the software have been downloaded to a computer in USAID.
- 2.3.2 Most of the questions in the survey have scaler or categorical response measures. Thus, rather than computing a measure, such as the mean response, which is more appropriate when the response is measured in an ordinal scale, only relative frequency distributions are shown for most questions.
- 2.3.3 The first output produced from the survey data was a complete set of frequency tables -- a sample count of the number of respondents per answer per question. For those questions where responses were integers rather than categories, the mean, median and mode response was computed. The frequency distributions and averages for all continuous variables are shown in Appendix A to this report.
- 2.3.4 Contingency tables, or "cross-tabulations," were prepared -- in order to examine the effect of firm size (using number of employees), economic activity (sector), ownership (male or women owned as well as Kenyan or Asian origin, foreign), and geographic location on the responses.
- 2.3.5 Harvard Graphics, a graphics and spreadsheet program, was used to construct the graphics and the charts included in this report.

3. RESULTS OF THE SURVEY

This section first presents descriptive data on the firms sampled. Subsequent sections discuss how perceptions regarding the environment, resource constraints, opportunities, and business associations are distributed by firm size, gender, type of ownership, sector or geographic location.

3.1 Description of the Sample

3.1.1 Two thirds of the firms sampled employed less than 10 people (Exhibit 1). For the purposes of analyzing survey results, those firms which employed no workers other than the owner were classified as "owner operated." Those employing between 2 (having excluded the owner) and 5 employees were classified as "micro enterprises." Those employing between 6 and 10 persons were classified as small, those employing 11 to 50 workers were classified as medium and those employing more than 50 workers were classified as large. These divisions were not arbitrary. Preliminary analysis of the data showed that there were substantial differences among the responses of firms in each size category outlined above. About 19 percent of the sample consisted of owner operated firms, another 39 was classified as "micro enterprise", 17 percent was classified as small, 24 percent fell under the "medium" category and the remaining 9 percent was classified as large. The largest firm in the sample, in terms of workers, employed 1,300 people.

Most of the firms sampled (65 percent) reported less than KSh500,000⁴ in fixed assets (Exhibit 2).

3.1.2 The majority of firms in the sample operated in either the services sector (39 percent) or in commerce (38

⁴In March 1989, when this survey was implemented, the official exchange rate was US\$ 1.00 = KSh 19.00.

percent)⁵. Exhibit 3 provides the sectoral distribution of the sample.

3.1.3 Most of the agriculture and manufacturing sector firms were medium or large enterprises, while most of the firms operating in the commerce and services sectors were small or micro enterprises. Most of the owner operated firms are engaged in service and commerce sector activities. Past surveys of the informal sector in Kenya (see Description report) have also found that most smaller firms are concentrated in services and commerce. Since small informal sector firms form such a large proportion of the sample, the commerce and services sector are relatively over-represented in the survey. Exhibit 4 shows the size distribution of firms by sector.

3.1.4 Most of the women-owned firms were micro-enterprises and operated in the commerce and services sectors. Approximately 53 percent of the women-owned firms in the sample were also micro enterprises while just 2 percent of the women-owned enterprises employed over 50 workers. Exhibit 5 shows the size distribution of women owned firms.

⁵Many of the categories included under "manufacturing" could well be re-classified as agro-processing (e.g. handicrafts, finished wood products, confectionery/baking, brewing/beverage, leather work, textiles, clothing, paper/paper products). Appendix A, question 15 shows that 104 manufacturing sector firms (or 59 percent of the firms classified as manufacturing establishments) can also be considered agro-processing. Using this broader definition, 115 firms (15 percent of the total sample) operated in the agro-processing sector. But since these 104 firms shared more characteristics with manufacturing establishments (in terms of employee, geographic location, percentage of imported inputs), they were analyzed as part of the manufacturing rather than the agro-processing sector.

- 3.1.5 Kenyan-owned businesses⁶ tended to be much smaller than firms owned by foreigners or by Kenyans of Asian origin. Exhibit 5 shows that as the size of the enterprise increases, the percentage of Kenyan ownership decreases.
- 3.1.6 Non Kenyan-owned firms were less likely to employ Kenyans. While Kenyans make up approximately 87 percent of the total work force in the firms sampled, they comprise on average only 72 percent of the work force in non-Kenyan owned enterprises (Exhibit 6). Exhibit 6 also shows that firms owned by non Kenyans (see footnote 6 for a definition of "non Kenyan") were less likely to employ Kenyans in top management positions. While on average, 62 percent of the top management in the firms sampled was comprised of Kenyans, the average for non Kenyan owned firms was only 19 percent.
- 3.1.7 On average, women made up 22 percent of the total work force in the firms sampled. This figure matches the national average, as discussed in the Description report. Exhibit 6 shows that the participation of women in the work force decreases as the size of the enterprise increases. While on average 25 percent of the work force in small and micro enterprises are women, the figure for large firms is only 11 percent. This exhibit also shows that women owned firms (which comprised 12 percent of the enterprises in the sample - See Appendix A, question 10) are more likely to employ other women.
- Only 5 percent of the top management cadre in large firms are women, compared to 11 percent in the medium, 22 percent of the cadre in the small and 23 percent in the micro enterprises.
- 3.1.8 A fourth of the firms sampled operated outside the Nairobi area. Exhibit 7 shows the geographic distribution of the sample.

⁶Question 59 in the survey asked respondents to estimate what percentage of the owners were foreign (meaning non Kenyan citizens), African Kenyans and "other." The survey did not require that the respondents specify what the "other" was. The respondent could identify his or her ethnic origin if so desired. About 80 percent of all respondents voluntarily identified "other" as Kenyan Asian.

- 3.1.9 The majority of the firms sampled were oriented almost exclusively to the domestic market. Exhibit 6 shows that on average firms sell about 96 percent of their production in the domestic market. This average changes only slightly among all size categories, except for the large firms, where the average proportion of the total product marketed domestically drops to 84 percent. Larger firms are also more likely to use imported inputs (on average 32 percent of the raw materials from the large firms are imported) than the smaller firms (on average 8 percent of the raw materials used by firms employing less than 11 persons are imported).
- 3.1.10 The smaller firms (under 10 employees) sell most of their product (on average 87 percent) to retail customers, and to a lesser extent to other small firms. They also procure most of their raw material (on average 45 percent) from other small firms (Appendix A, questions 63 and 64).
- 3.1.11 Conclusion: There are many "private sectors" in Kenya - the private sector of large firms and that of the micro and small firms, the private sector of the Kenyan and that of the non Kenyan-owned firms. The large firms employ a labor force with a different gender and ethnic composition, and operate and are interested in different markets. As shall be shown below, the larger firms have very different perceptions of the business environment and generally face a different set of constraints than the smaller firms.

3.2 Perceptions Regarding Business Environment, Firm Performance and Business Opportunities

- 3.2.1 Only 37 percent of the firms sampled believed that there had been an improvement in the business climate over the last year. These perceptions varied by size, sector and ownership:
- Firms operating in the manufacturing sector were more likely to perceive improvements than firms in other sectors.
 - Smaller firms in almost every sector were less likely to perceive an improvement in the business climate than larger firms. But smaller firms in the manufacturing sector were more likely than the larger firms to perceive an improvement in the

business climate. According to Description data, growth in both employment and output among the larger formal sector manufacturing firms has been slow, while the share of informal sector employment in manufacturing and SSE manufacturing output has doubled over the last 7 years.

- Non Kenyan owned firms (both foreign owned firms and those firms owned by Kenyans of Asian origin) were least likely to believe that the environment had improved (Exhibit 8).

3.2.2

Firms of all types believed that the regulatory environment has had a negative effect on their past performance. Exhibit 10A shows the rank order for the four factors believed by respondents to have had the most negative effect on their past sales performance. The ranking was derived by constructing an index which measured the difference between the percentage of respondents who believed that each of the factors listed had either a positive, negative or no effect/not applicable (see Appendix A, question 26 for the full list of factors). The lower (more negative) the index the more serious the constraint and the higher the ranking awarded to the factor.

- Exhibit 10A shows that firms of all sizes and operating in all sectors perceived that government regulations, whether they be related to work permits, import licensing or taxes, had been responsible for poor sales performance over the last year.
- Regulations regarding permits and licenses affected the largest number of businesses. Almost 2 out of every 3 respondents in all size categories felt affected by the GOK's permit and licensing requirements (Exhibit 10B).⁷ Exhibit 10B also shows that the perceived regulatory burden varies by firm size. Taxes and licenses were perceived to be the biggest regulatory burden by the large firms, while permits and licenses were felt to be the largest burden by the smaller firms. Permits and licenses were also perceived as the biggest regulatory burden by those firms exporting over 10 percent of their goods and services.

⁷These results were calculated by subtracting the number of firms which said that the regulation did not apply to them from the total responding to questions 23 and 26..

- The type of licensing controls considered most onerous by the larger firms as well as by manufacturing establishments were import licensing controls. Since these firms were also most likely to believe that past business performance was most hindered by raw material availability (Exhibit 9) and the most likely to be using imported raw materials (Exhibit 6), their responses suggest that their difficulty obtaining raw materials was due precisely to import licensing regulations.
- Agribusinesses (including commercial agriculture producers and agro-processing firms) thought their sales were most affected by government marketing regulations. GOK controls were thought to affect particularly the price of raw materials.

3.2.3

Transport issues had the biggest effect on the past sales of both firms operating in Western Kenya and the more export oriented firms.

- Firms operating in Western Kenya (see Exhibit 7 for a description of the towns included in this area) felt that lack of road transport had been one of the largest obstacles to expanding their sales (Exhibit 10A).
- Those firms which were exporting over 10 percent of their goods and services were also more likely than other firms to perceive that transport (particularly land transport) factors had been one of the largest obstacles to expanding their sales.
- Exporters believed that the road network is inadequate to meet their needs. Exhibit 10C shows that of all the issues related to transport, the lack of a good road network (and indeed the sheer lack of a network) was the most serious transport constraint for firms exporting over 10 percent of their output (either to the PTA or the EEC). Transport constraints were felt most acutely by firms exporting over 10 percent of their goods and services to the PTA countries, judged by the percentage of respondents for which the constraint was thought to be "important" or "very important."

3.2.4 The rank order of factors affecting the sales of women-owned and Kenyan-owned enterprises was no different from that affecting the sales of micro-enterprises.

- The overwhelming majority of indigenous and Kenyan-owned enterprises are micro enterprises (Exhibit 5). Hence it appears that size is more important than the gender or ethnic composition of the firm's owner in determining perceptions regarding factors affecting sales.

3.2.5 Many firms foresaw prospects and profits in agribusiness and tourism. Though only 4 percent of the sample operated in the agribusiness sector, 18 percent of the firms sampled believe that agriculture, either for domestic consumption or for export, offers the best prospects for the investor (Exhibit 11). Though only 4 percent of the firms sampled operated in the tourist sector, five times as many respondents (20 percent) believe that tourism is a potentially profitable area.

3.2.6 Approximately 18 percent of the firms sampled believed that export activities offer good prospects for the willing investor (Exhibit 11).

- Though the number of firms interested in exporting was small, this percentage was substantially greater than the number who were actually engaged in any sort of exporting activity (less than 13 percent of the firms in the sample exported over 2 percent of their output and only 3 percent of the sample reported exporting over 50 percent of their goods and services).

3.2.7 There is considerable interest in exporting among those firms who are NOT now engaged in substantial exporting activity.

- Over 50 percent of those firms who thought exporting offered the best return on investment (see Exhibit 11) are not now exporting any amount (Exhibit 11A).
- Those firms who expressed an interest in exporting were on average larger than those who were not interested in export markets; 50 percent of the firms in the total sample employed over 6 people, compared to 76 percent of those who thought exporting provided the best return on investment (Exhibit 11B).

3.2.8 Exhibit 12 shows that the EEC and the PTA are believed to be the most potentially profitable export markets.

- Few of those firms now exporting to either of those two markets were among those firms expressing an interest to these areas. For example, of the 14 firms in the sample now exporting over 10 percent of their goods and services to the PTA, only 4 believed that this market offered the best prospects; of those exporting over 30 percent to the PTA now, NONE felt that this was the most profitable market. Of the 37 firms now exporting over 10 percent to the EEC, only 7 thought that the EEC offered the best return to the investor. These results suggest that the difficulties experienced by those now exporting may be discouraging them from increasing or even continuing their exporting activities.

3.2.9 Respondents have little information available on international markets.

- While 62 percent of respondents felt they had reliable information on the domestic market, only 17 percent felt that they had equally good information on international markets (Appendix A, questions 46 and 47). Those who are now exporting are far more satisfied with their sources of information. Of those firms who reported exporting over 10 percent of their goods and services, 67 percent felt that they had good information on international markets and 70 percent felt that good information on domestic markets.
- Official information sources such as the Kenya Trade Authority, the Ministry of Commerce or the Horticultural Crops Development Authority, are currently providing information to less than 10 percent of all respondents. The majority of firms continue to rely on personal contacts (90 percent) or trade journals and publication (33 percent) for information on markets (Exhibit 12A).
- Those firms exporting over 10 percent of their goods and services were less likely to rely primarily on personal contacts and far more likely than other firms to rely on association and official government sources (Exhibit 12A).

- Business associations are not currently playing a prominent role in the provision of market information (less than 11 percent of the sample marked the KNCCI or KAM as a source), though those firms now exporting over 10 percent are much more likely to be making use of these sources than non exporters. Responses to survey question 58 (see Appendix A) and Exhibit 21 suggest that there is substantial demand for market information services.

3.3 Perceptions Regarding Resource Constraints Affecting Productivity.

- 3.3.1 Perceptions regarding resource constraints varied considerably across size categories and sectors. Exhibit 13 shows the rank order for the four resource constraints believed by respondents to have had the most negative effect on their productivity. The ranking was derived by constructing an index which measured the difference between the percentage of respondents who believed that each constraint listed had a positive, negative or no effect (see Appendix A, question 27 for the full list). The lower (more negative) the index, the more serious the constraint and the higher the ranking shown in the exhibit.

Exhibit 13 shows that the rank order of factors changes appreciably as the size of the enterprise increases. It also varies by sector and geographic location.

- 3.3.2 Access to affordable transport, land and spare parts are perceived most often as a serious constraint by firms in most sectors and size categories. Exhibit 13 shows however that issues regarding transport are most prominent for firms operating in Western Kenya and for exporters.

- 3.3.3 For owner operated and micro enterprises, the key constraints affecting productivity are access to credit, suitable premises, and land. The survey revealed that firms in this size category rely heavily on non formal sources of capital, particularly personal funds and funds provided by family and friends (Exhibits 14A and 14B). The only formal source of capital playing any kind of a role among the smaller enterprises is the commercial banks. Cooperatives, development banks, and other

sources (including NGO's) seem to be reaching only a very small percentage of the smaller firms. This has appreciably hindered expansion/production plans for these firms (Exhibit 15). The lack of credit has also hindered access to inputs for firms in this size category (see Exhibit 16). The key factor affecting their access to credit was the inability of these entrepreneurs to meet lenders' collateral requirements (Appendix A, question 62).

Exhibit 10 shows the distribution of tenure rights by size of firm. Almost one of every three owner operated establishments had only squatter rights to the land they were occupying. Over 40 percent of the owner operated firms and 34 percent of micro enterprises also said that uncertainty about their rights to the land had hindered the growth of their business (compared to 25 percent of the medium and 17 percent of the large firms). Lack of tangible security, in the form of land title deed, is related to problems obtaining access to formal sources of capital due to collateral requirements. Exhibit 10 shows that only a small proportion of all but the largest firms have the type of tangible security (title deed) necessary to meet collateral requirements. But the problem of security of land tenure for the smaller firms goes beyond its implications for lending. The overwhelming majority of the smallest enterprises simply lack stable access to a place in which to conduct business. At the least, a lease would provide this security. Lack of stability also has implications for the willingness/ability of these entrepreneurs to expand their businesses operations.

Squatters are also more likely to be women-owned and Kenyan-owned enterprises. In part this is because most of these firms tend to be smaller. But the smallest women-owned firms are more likely to be squatters than male-owned firms in the same size categories. The smallest Kenyan-owned firms were also more likely to be squatters than non-Kenyan-owned firms in the same size categories. Hence the problems of insecurity and lack of collateral are even more accentuated for the women- and Kenyan-owned firms.

3.3.4 For larger firms, access to spare parts, affordable transport, and raw materials were the most important constraints (Exhibit 13). Exhibits 6 and 10 suggest that difficulties accessing raw materials and spare parts may be at least partly rooted in government regulations affecting import permits (see point 3.2.2).

3.3.5 Access to quality skilled/supervisory labor was not perceived as a serious constraint by the firms sampled. Respondents did not rank access to labor or labor skills a serious constraint to their productivity. Almost 8 out of every 10 respondents felt satisfied with the productivity of their workers (Appendix A, question 31). The degree of satisfaction was fairly constant across sectors. Most firms sampled did not believe that they had to either invest a lot in training their employees, or that skilled labor was difficult to find (questions 33 and 39, Appendix A).

But perceptions regarding availability of labor skills in Kenya do vary by sector. Exhibit 17 shows that agro-processing firms are more likely to experience difficulty finding good managers, while service sector operations are more likely to find it hard to get good technical personnel.

3.3.6 Given the above ranking of constraints, enterprises are most interested in and are pursuing plans to improve their production technology and marketing operations, and relatively less interested in personnel development and training (Exhibit 18A).

Small firms however are less interested in investing in any type of improvement than the larger firms. The smallest firms (owner operated) are the least interested in any sort of investment to improve their productivity (Exhibit 18B). The cause for this relative lack of interest may be rooted in their inherent insecurity. Lack of secure tenure rights not only inhibits investment by making access to credit and capital difficult, but it also makes firms relatively more short-term oriented. Investments which do not show immediate payoffs will not be undertaken since the entrepreneur is not sure whether he or she will be in the same locale long enough to reap long-term benefits.

3.4 Implementing Agents

The results highlighted above suggest that there are some key bottlenecks to private sector development in the country. The question then arises, how to reach the private sector. Survey results suggest that reaching the smaller enterprises may be far more problematic than reaching the larger firms:

3.4.1 Smaller enterprises by and large do not belong to any business association (Exhibit 19). While almost all large enterprises (almost 90 percent) report belonging to some association, only 17 percent of owner operated, 22 percent of the micro enterprises and 30 percent of small enterprises do. When asked to explain why they do not belong to any association, 46 percent said it was because they were not aware of the existence of any association or did not know how to go about finding out what type of organization could be of use to them. Another 22 percent said it was because no association provides services they find useful (Appendix A, question 56).

Firms (of all size categories) which operate in Western Kenya were almost twice as likely to belong to some association than firms operating in other parts of the country.

Manufacturing sector establishments were most likely to belong to an organization (50 percent did), while commerce and service sector firms were least likely to do so (less than one third did).

Kenyan-owned firms of all size categories were least likely to belong to any organization. Only 12 percent of the smallest Kenyan-owned enterprises belonged to any organization (compared with about 20 percent of all owner operated and micro firms); only 75 percent of the largest Kenyan-owned enterprises reported any membership (compared to 90 percent of all large firms).

3.4.2 The Kenya National Chamber of Commerce was rated as "effective" by a majority of members in all size categories, except for the smallest (owner operated) enterprises (Exhibit 20). In general, those organizations to which the majority of the firms in the sample belonged, the Chamber of Commerce and the Kenya Association of Manufacturers (KAM), received lower effectiveness ratings from the smaller member firms (Exhibit 20).

3.4.3 Micro and small enterprises want and require different things from the organizations than the larger firms. The large firms primarily believe a business organization should serve as a vehicle to lobby the government and assist with the provision of market information. Small firms believe these organizations should assist by providing them with credit and technical assistance and feasibility studies (Exhibit 21).

3.4.4 There is very little contact between the large and the smaller firms. The smaller firms generally do not belong to the same business associations as do the larger firms (Exhibit 22), and even when they do belong to the same association, they have very different perceptions regarding how well a particular organization serves their interests (see point 3.4.2).

4. CONCLUSIONS

4.1

The current regulatory environment is the single most important factor affecting the development and growth of the private sector in Kenya. There are many types of controls and regulations, and not all affect firms in different sectors or of different size categories the same way, but controls and restrictions of different types are perceived as major barriers to production growth by most respondents. If one weights each factor by the rank order in which it appears in the list in Exhibit 10A and adds the results across all types of firms, then the most serious constraints, as perceived by respondents in all sectors and size categories are government regulations pertaining to work permits, licenses, and prices, followed by import restrictions and tax policies (which may include taxes on imports, individuals, or corporations).

- This issue is not new. The regulatory environment introduces a number of distortions which decrease the allocative efficiency of capital. The regulatory environment adds considerably to the cost of doing business in Kenya and may be encouraging potential investors to channel their resources into less productive and speculative activities which carry fewer costs and promise a quick return on investment. In addition, high effective corporate tax rates decrease the incentive to provide accurate financial information, reducing the quality of the information required by lenders (both banks and equity investors), and hence the efficiency of capital markets. Finally, the cumbersome regulatory environment may be discouraging foreign investment. Survey data shows that foreign firms were the least likely to think that the business environment had improved over the last year.
- Dialogue sessions which discussed these results with various groups of entrepreneurs in the country confirmed the above conclusions, though bottlenecks concerning import licensing restrictions had been eased considerably since the Government's June 1989 budget speech. All firms were discouraged from investing by a regulatory environment which made it difficult and costly to operate in Kenya.
- Foreign owned firms were particularly discouraged by regulations which restricted their ability to

repatriate profits and to borrow in local currency. Large and foreign firms also complained that while the corporate tax rate seemed moderate on paper (42.5 percent), a number of add-on taxes imposed on various transactions made the effective rate much higher (as high as 60-65 percent for some types of firms).

- The sessions also suggested that exporters were most affected by delays in acquiring export licenses, as well as foreign exchange.

4.2

Smaller firms have virtually no access to formal credit sources. To the extent that the smallest firms use other than personal funds as a source of capital, it tends to be commercial banks. Other formal sources of credit (such as development banks, merchant banks and even NGO's) play a limited role in this regard, compared to commercial banks.

- Again dialogue sessions held in November also confirmed this conclusion.
- Dialogue sessions held with representatives of various finance sector establishments suggested that current regulations restricting interest rate spreads and credit ceilings discourage a greater flow of financial resources to the smaller, newer, and thus more risky borrowers.
- A follow up survey related to credit constraints carried out by JEA in Western Kenya in November of 1989 also confirmed the finding that none but the largest firms were able to obtain credit from formal banking sources, and that less than 5 percent of firms employing less than 50 workers were using credit from other NBFIs in the region.

4.3

Uncertainty regarding land tenure rights is a major impediment to the development and growth of the smallest enterprises, particularly women-owned and Kenyan-owned firms. This lack of security has implications for investment and growth which go beyond credit (since these firms obviously lack any tangible security to offer as collateral). Lack of security makes entrepreneurs very short-term oriented and may inhibit willingness to undertake any improvements in business operations.

4.4 The most effective business associations according to respondents (KAM and KNCCI), do not provide the type of assistance most needed and wanted by the smaller firms. Since the majority of smaller firms do not belong to any type of association it may be difficult to reach and provide needed services for these entrepreneurs efficiently.

4.5 There is a need to create a greater number of linkages between the large and the small entrepreneur. The creation of more networking opportunities between small and large enterprises could help boost small firm market contacts. Greater linkages between smaller and larger, more sophisticated firms can also help foster transfer of technology and management skills. At the moment most micro enterprises and small firms buy from and sell their products to other small firms. There seems to be little interaction between them and the larger enterprises. Business organizations can play a key role here as well, by providing networking opportunities.

- There are already a number of initiatives which foster such linkages, such as K-MAP, recruiting executives in larger firms to provide business counseling services to the smaller firms.
- Dialogue sessions also suggested that there is an interest among the larger firms in identifying a greater number of subcontracting opportunities with the smaller firms. Institutions such as K-MAP and business associations may be able to encourage these linkages by brokering contacts between large firms and potential small business subcontractors.

4.6 There is a substantial degree of interest in exporting. Although the survey indicates that most export activity is now confined primarily to a relatively few number of the larger firms, it also suggests that there is considerable interest in export markets among entrepreneurs who are not now exporting. Major constraints to the expansion of exporting activity seem to be: lack of cheap transport, lack of market information, various licensing regulations.

- Survey results suggest that those firms which are now exporting the most are also those least likely to want to expand their exporting operations. Regulatory and transport bottlenecks are discouraging expansion among these firms (see points 4.1 and 4.7).

- At the moment firms do not have many sources of information regarding international demand for their product or international requirements and standards. Business associations, particularly the Kenya Association of Manufacturers, are playing some role in the provision of market information services, but these services reach primarily the larger more sophisticated entrepreneurs. There is a demand for such information among the smaller firms as well, but the associations to which these firms belong are not currently providing such services, or at least not in the amount or quality required by firms interested in exploring export possibilities. Dialogue sessions with representatives of business associations suggest that there is a real interest in expanding such services. The KNCCI is interested in hiring a trade officer, for example.

4.7 The lack of affordable transportation (primarily land transport) was perceived as a common constraint by firms operating in most sectors and in most size categories. While there were few complaints regarding transport availability, the majority of firms in all sectors of the economy view the lack of cheap transport as major constraint to business development. This was especially true for those firms which are now exporting at least 10 percent of their goods and services. For firms operating in Western Kenya, availability of transport, not just price, seems to also be an issue. Survey results suggest that the transport problem is linked to import controls (causing shortages for spare parts and inflating the price of vehicles). It is also related to lack of appropriate road infrastructure (which increases the wear and tear on vehicles). Expensive transport makes products less competitive abroad as well and may be a constraint to export development (see point 4.6 above). The dialogue sessions confirmed that this was the case. In particular discussions with firms now exporting to the PTA revealed that the lack of a road network and poor roads have hampered the growth of trade with PTA countries.

4.8 Access to quality skilled/supervisory labor was not perceived as a serious constraint by the firms sampled. Almost 8 out of every 10 respondents felt satisfied with the productivity of their workers. This result was confirmed in the various dialogue sessions held with entrepreneurs in different sectors. Smaller firms however may lack basic business skills, particularly those needed to access and manage financial resources.

Women in business still face substantial obstacles to full participation.

- Survey data show that the participation rate of women in the labor force is almost 80 percent higher in small and micro firms than in large firms. Data also show that the percentage of women in top management positions is 4 times greater in the smaller firms than in the large firms. In part this is explained because women-owned firms (which tend to be smaller) are more likely to hire women. In addition, smaller firms may be a more attractive place in which to work for women since they are often more flexible in terms of time and place of work, allowing women to work at home, or change shifts as their household chores require. Finally labor laws restrict the shifts in which women can work, which raises the costs of hiring women. These laws, with which the larger firms must comply, may not affect smaller firms, many of which are "informal" and operate outside the regulatory environment. Dialogue sessions with the larger businesses revealed that such legal restrictions do indeed affect the "employability" of women.
- Survey data also showed that women-owned firms face not only the same set of constraints affecting micro enterprises in general, but also face special constraints, such as a legal framework which makes it even more difficult for them to own property and to meet collateral requirements. Comments from various women entrepreneurs and institutions assisting women confirmed these findings. Women entrepreneurs lack basic knowledge regarding their legal rights and of mechanisms available to deal with legal obstacles.

SIZE DISTRIBUTION OF THE SAMPLE (BY NO. OF EMPLOYEES)

OWNER - NO EMPLOYEES
MICRO - 2 - 5 EMPLOYEES
SMALL - 6 - 10 EMPLOYEES
MEDIUM - 11 - 50 EMPLOYEES
LARGE - OVER 50 EMPLOYEES

N = 777

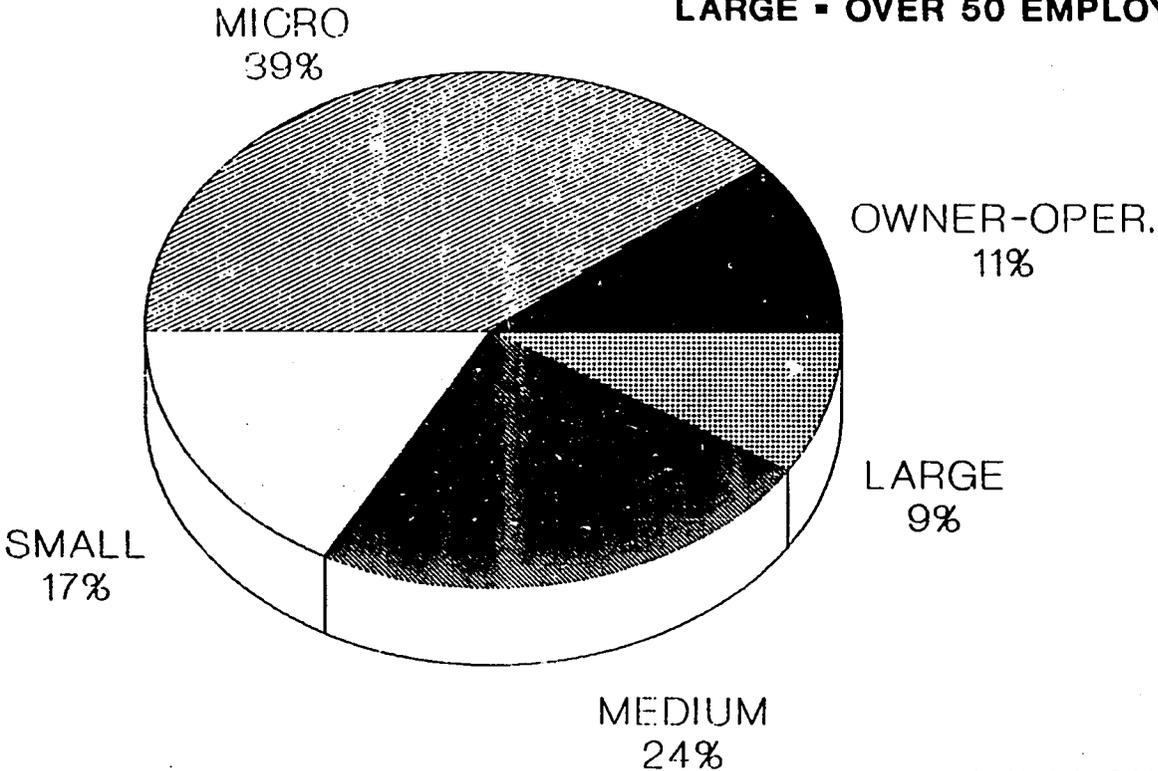


EXHIBIT 1

QUESTION 5

27

EXHIBIT 1

SIZE DISTRIBUTION OF THE SAMPLE
(by number of employee)

<u>Size Category</u>	<u>Raw Frequency</u>	<u>Relative Frequency (%)</u>
Owner-Operated	90	11.5
Micro-Enterprise	300	38.6
Small Enterprise	129	16.8
Medium Enterprise	187	24.1
Large Enterprise	71	9.1
TOTAL*	777	100.0

* May not add exactly due to rounding error.

29

SIZE DISTRIBUTION OF THE SAMPLE (FIXED ASSETS IN KSHS.)

N = 719

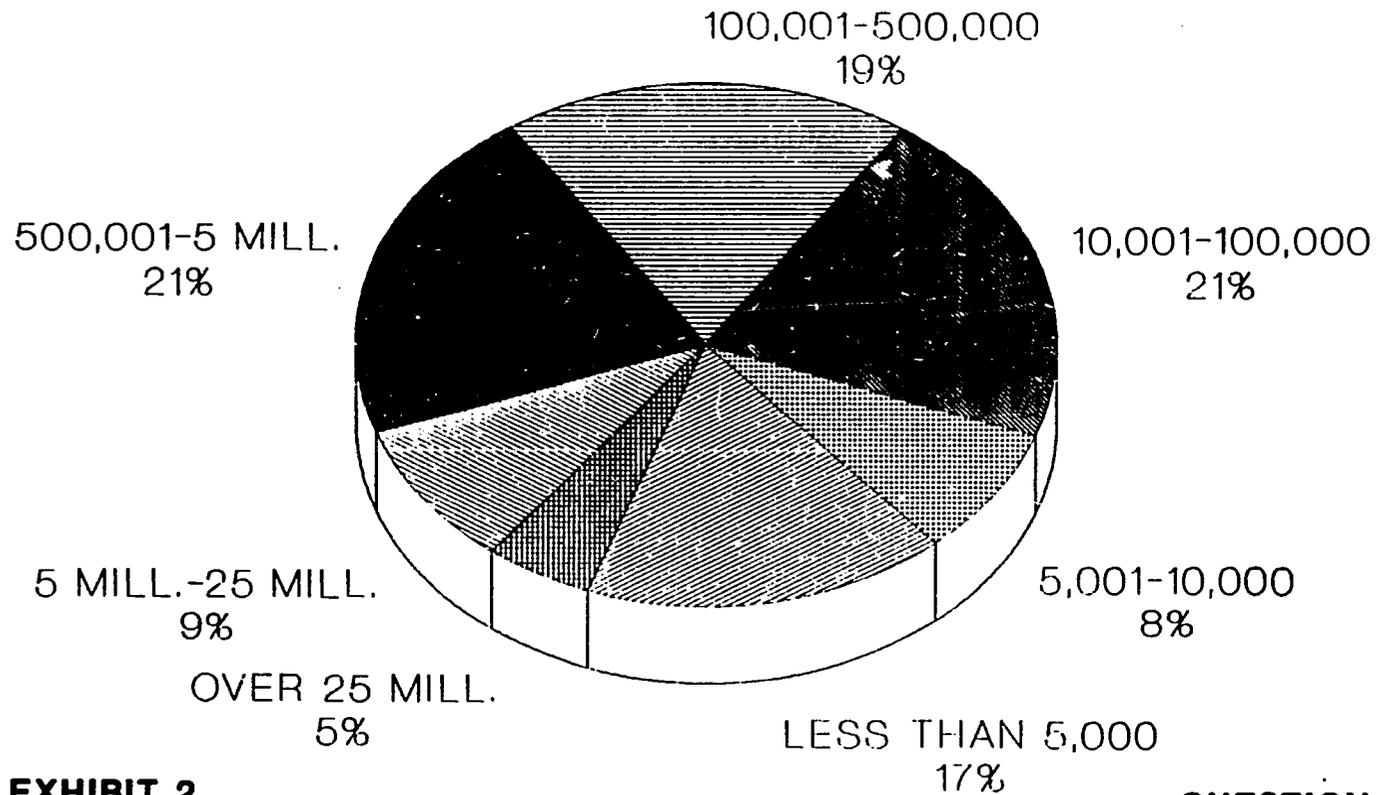


EXHIBIT 2

QUESTION 9

EXHIBIT 2

SIZE DISTRIBUTION OF THE SAMPLE
(by fixed capital assets -- in Kenya Shillings¹)

<u>Size Category</u>	<u>Raw Frequency</u>	<u>Relative Frequency (%)</u>
Less than KSh.5,000	119	16.6
KSh.5,001-10,000	60	8.3
KSh.10,001-100,000	152	21.1
KSh.100,001-500,000	139	19.3
KSh.500,001-5mn.	140	20.6
KSh.5mn.-25mn.	66	9.2
KSh.25mn.-100mn.	27	3.8
<u>Over KSh.100mn</u>	<u>8</u>	<u>1.1</u>
TOTAL*	719	100.0

* May not add exactly due to rounding error.

¹In March 1989, when the survey took place, the official exchange rate was US\$ 1.00 = KSh. 19.00.

SECTORAL DISTRIBUTION OF THE SAMPLE

N = 770

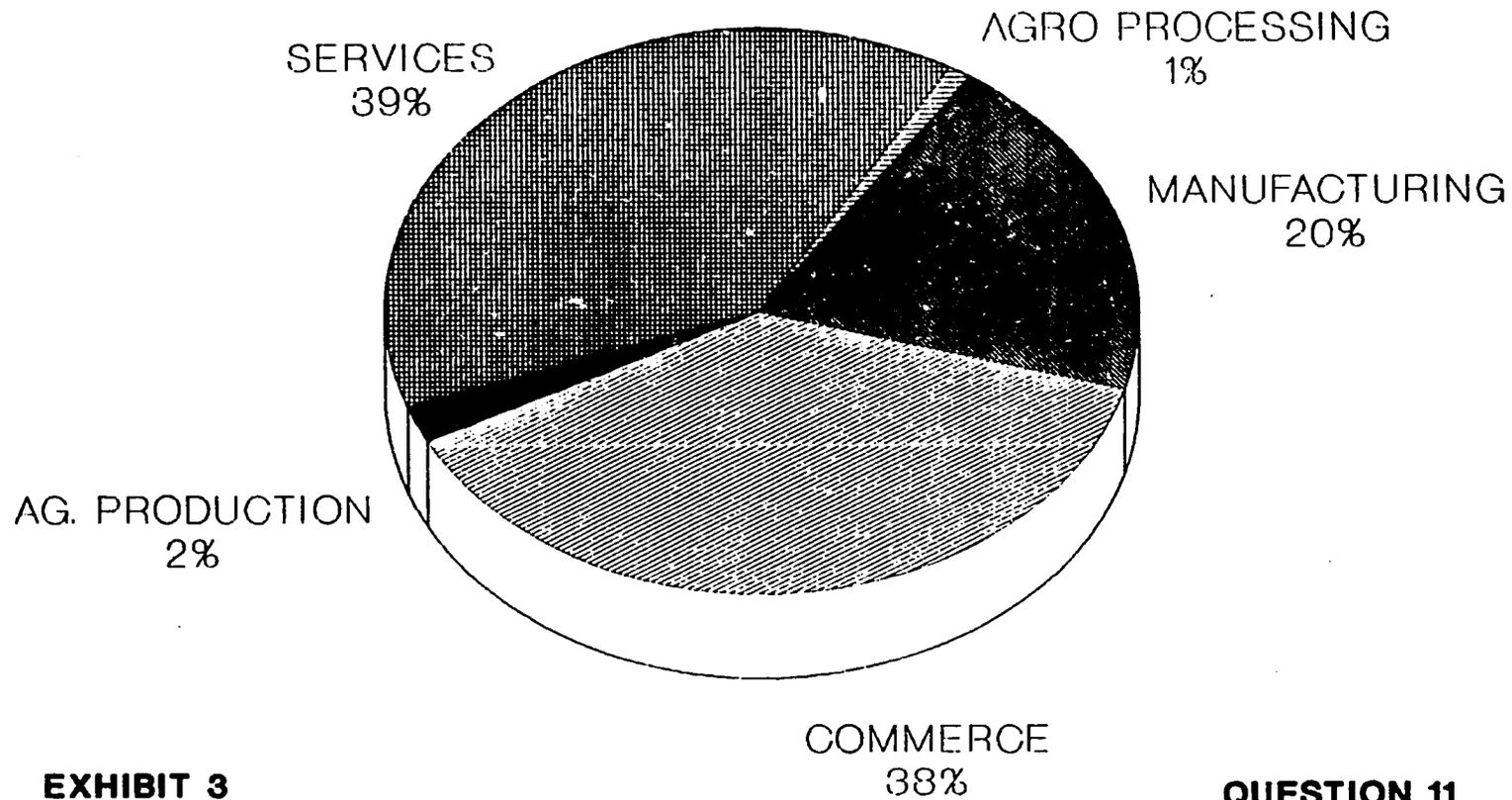


EXHIBIT 3

QUESTION 11

35

EXHIBIT 3

SECTORAL DISTRIBUTION OF THE SAMPLE

<u>Sector</u>	<u>Raw Frequency</u>	<u>Relative Frequency (%)</u>
Agriculture Production ²	17	2.2
Agro-Processing ³	11	1.4
Services ⁴	299	38.8
Manufacturing ⁵	151	19.6
<u>Commerce</u>	<u>292</u>	<u>37.9</u>
TOTAL	770	100.0

²Agriculture production for the purposes of the sample referred to fruit, timber, livestock production, for example.

³For the purposes of the sample this was defined as livestock/meat products (including dairy), processed fruits and vegetables, cotton ginning, wood products (e.g. charcoal, pulp), agricultural inputs (e.g. feed mill, fertilizer, seeds, implements).

⁴This category included sales/repairs of vehicles, transportation, tourism, communications, but excluded firms dedicated primarily to commercial (wholesale/retails trade) activities (see last category).

⁵Included handicrafts, textile production, clothing, finished wood products, metal products, confectionery/baking, assembly, beverage and brewery products.

SIZE DISTRIBUTION BY SECTOR

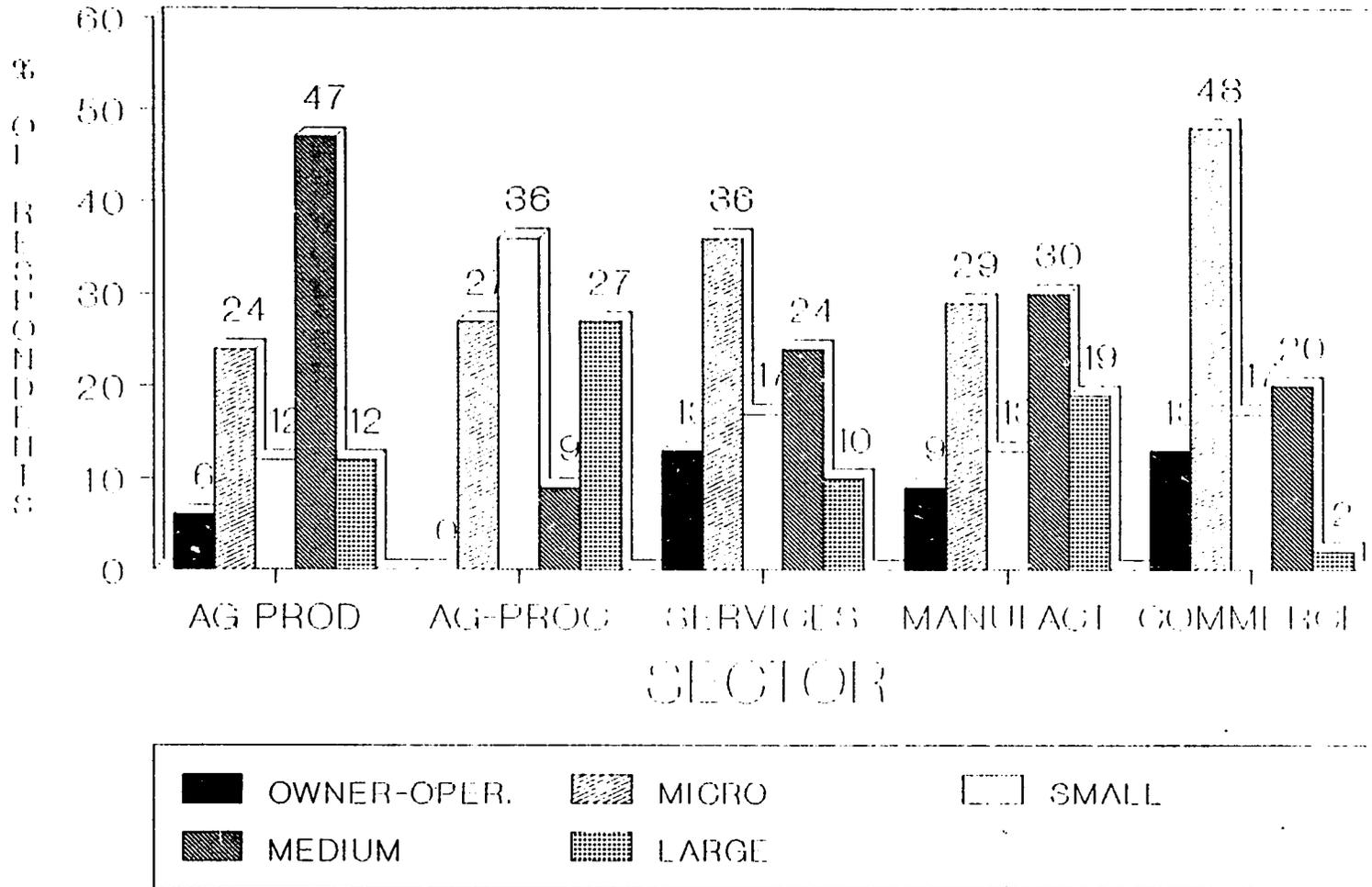


EXHIBIT 4

QUESTION 5 + 11

27

EXHIBIT 4

SIZE DISTRIBUTION BY SECTOR*

Size Category	Sector				
	Agric. Prod'n	Agro- Proc.	Serv.	Manuf.	Commerce
Owner-Operated	1	0	38	14	36
Micro-Enterprise	4	3	106	43	140
Small Enterprise	2	4	51	19	51
Medium Enterprise	8	1	73	46	59
Large Enterprise	2	3	82	29	6
TOTAL	17	11	299	151	292

* Raw frequencies only are given.

OWNERSHIP CHARACTERISTICS BY SIZE

Percentage of Respondents

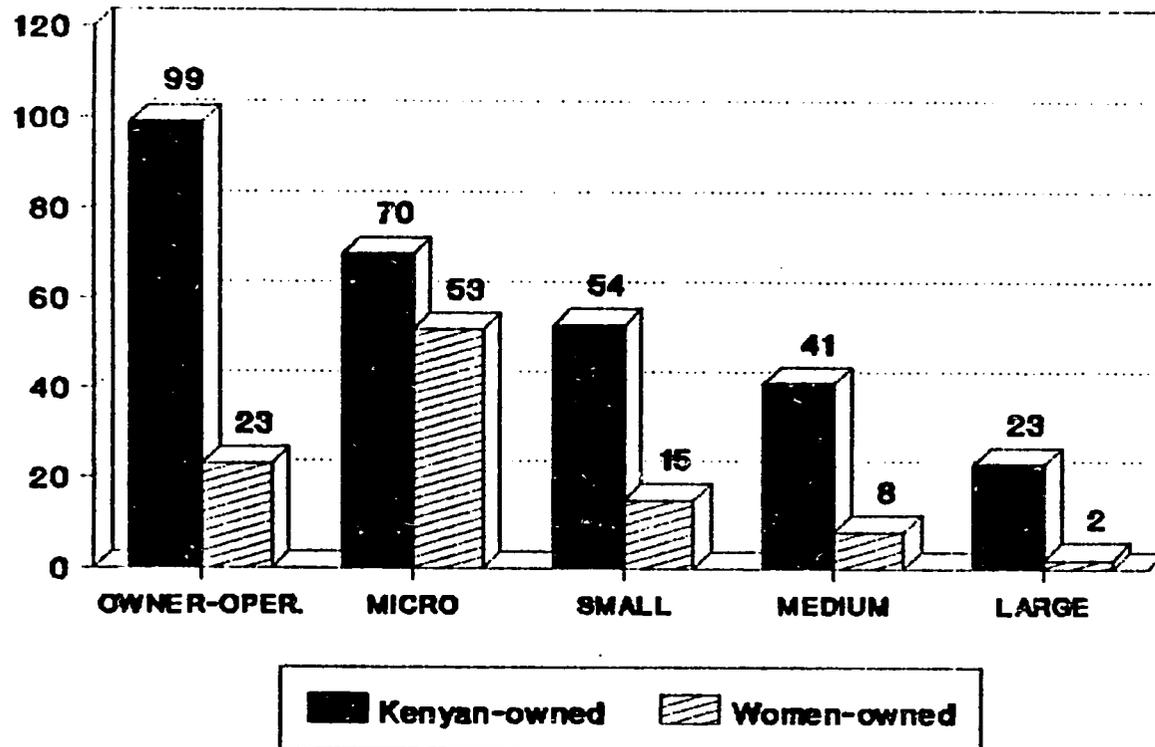


EXHIBIT 5

QUESTIONS 5, 10, 59

25

EXHIBIT 5

OWNERSHIP CHARACTERISTICS BY SIZE OF FIRM*

Size Category	Ownership Characteristics			
	Kenyan-Owned	Non Kenyan Owned	Women Owned	Non Women Owned
Owner Operated	89	1	21	69
Micro-Enterprise	210	90	50	248
Small Enterprise	70	59	15	114
Medium Enterprise	76	111	7	176
Large Enterprise	16	55	2	67
TOTAL	461	316	95	674

* Raw frequencies only are given.

EXHIBIT 6

SUMMARY DESCRIPTIVE STATISTICS BY FIRM TYPE

AVERAGE RESPONSE FOR:

	<u>Owner Oper.</u>	<u>Micro Enter.</u>	<u>Small Scale</u>	<u>Medium Scale</u>	<u>Large Scale</u>	<u>Kenyan Owned</u>	<u>Non-Kenyan Owned</u>	<u>Women Owned</u>
Women as % of Total Work Force	27	26	24	15	11	25	15	73
Kenyan as % of Total Work Force	98	84	83	83	88	97	72	90
% of Top Management Female	28	23	22	11	5	25	15	83
% of Top Management Kenyan	98	69	55	48	46	92	19	79
% Sales Domestic	100	98	96	95	84	96	95	96
% Raw Materials Domestic	98	91	82	76	68	92	75	94
% Equity in non-Kenyan hands	0	4	4	12	22	0	65	3

GEOGRAPHIC DISTRIBUTION OF THE SAMPLE

NAIROBI INCLUDES THIKA

COASTAL INCLUDES MOMBASA & MALINDI

EMBU INCLUDES MERU

NAKURU INCLUDES NAIWASHA

WESTERN INCLUDES ELDORET, KAKAMEGA, KITALE, KISII & KISUMU

N = 777

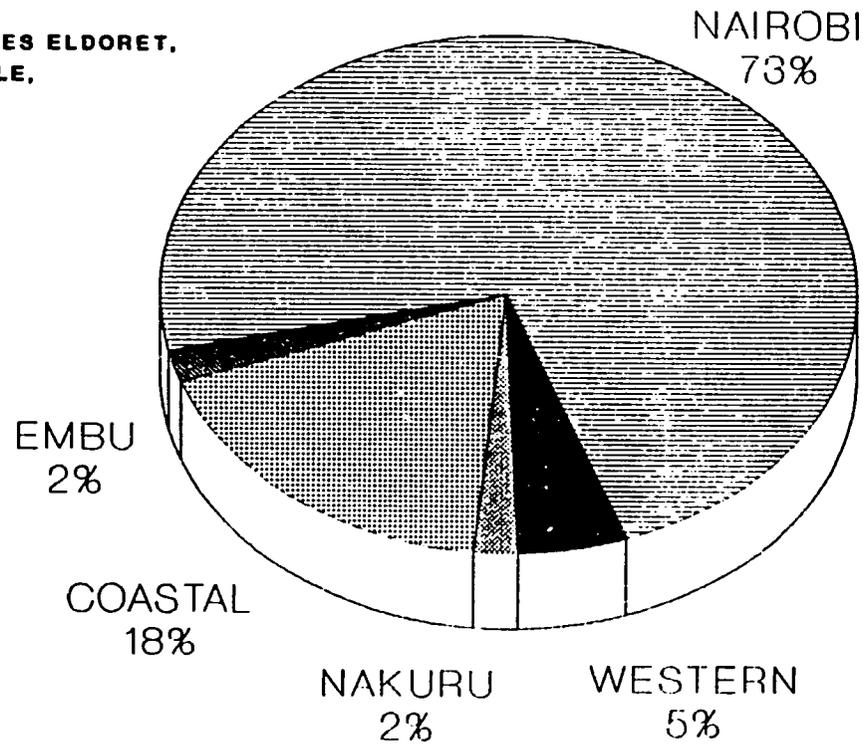


EXHIBIT 7

QUESTION 4

2/2

EXHIBIT 7

GEOGRAPHIC DISTRIBUTION OF THE SAMPLE

<u>Geographic Location</u>	<u>Raw Frequency</u>	<u>Relative Frequency</u>
Nairobi	566	72.8
Coast	140	18.0
Western Kenya	38	4.9
Nakuru/Naivasha	14	1.8
<u>Embu/Meru</u>	<u>19</u>	<u>2.5</u>
TOTAL*	777	100.0

* May not add exactly due to rounding error.

PERCEPTIONS REGARDING THE BUSINESS ENVIRONMENT

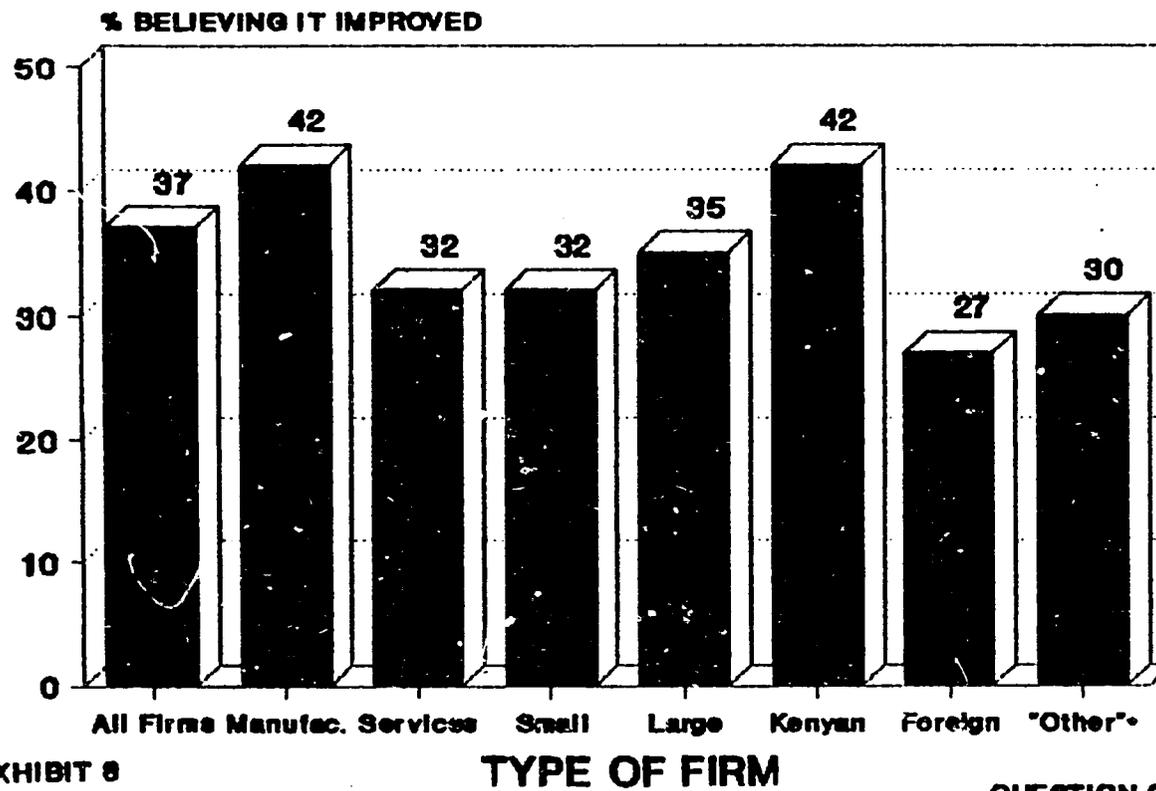


EXHIBIT 8

TYPE OF FIRM

QUESTION 20

• refers primarily to Kenyan of Asian origin

EXHIBIT 8

PERCEPTIONS REGARDING THE BUSINESS ENVIRONMENT

Percentage of Respondents Believing
That the Business Environment Today
is "Better" Than a Year Ago

Type of Firm	
All Firms	37
Agriculture Production	40
Agro-Processing	0
Services	32
Manufacturing	42
Commerce	32
Owner-Operated	36
Micro-Enterprises	34
Small Enterprises	32
Medium Enterprises	44
Large Enterprises	36
Kenyan-Owned Enterprises	41
Foreign-Owned Enterprises	27
Other* ownership	30

* About 80 percent of these firms identified themselves as owned by Kenyans of Asian origin.

FACTORS AFFECTING BUSINESS PERFORMANCE (BY SECTOR)

FACTORS

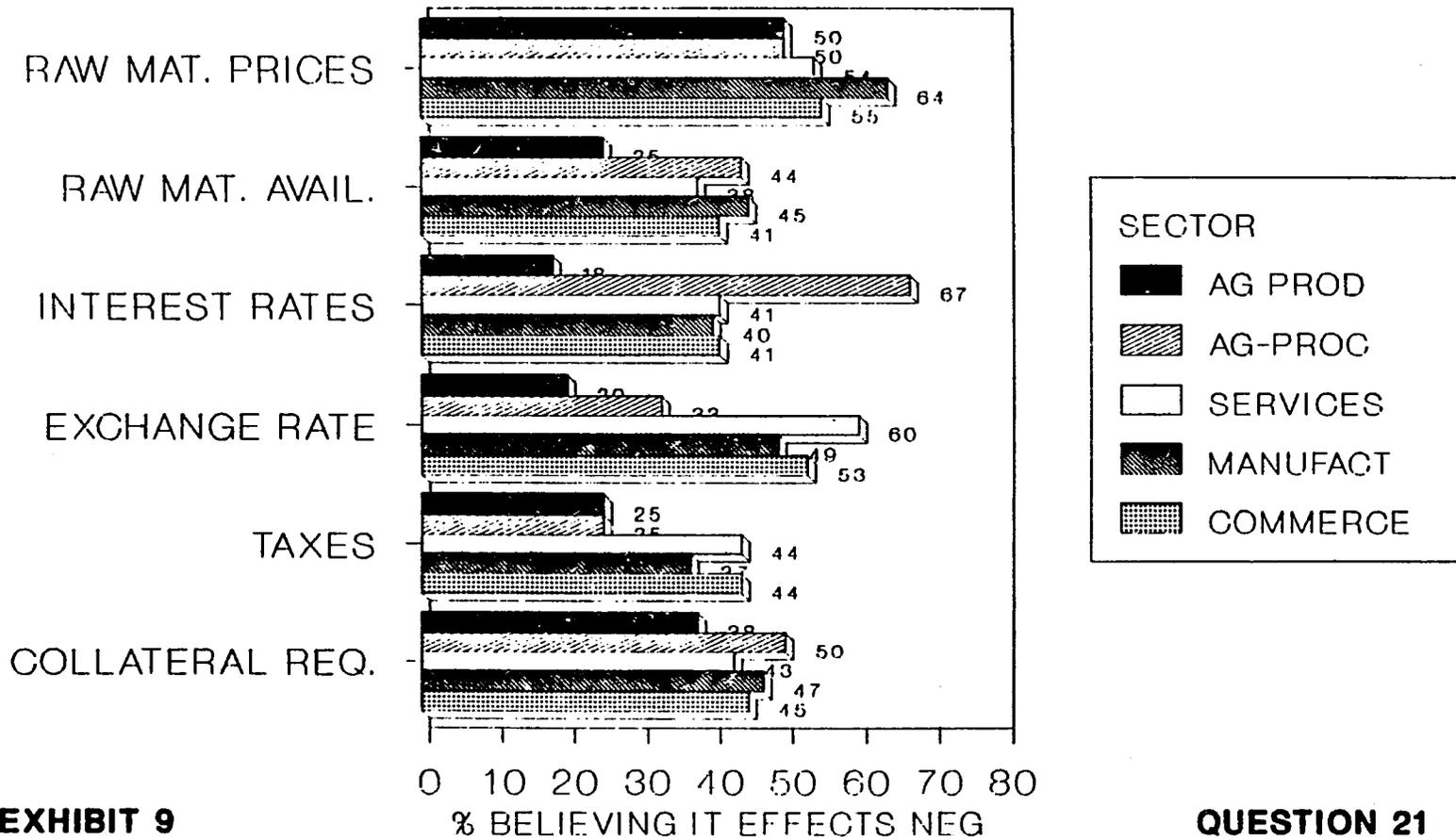


EXHIBIT 9

QUESTION 21

of

EXHIBIT 9

FACTORS AFFECTING BUSINESS PERFORMANCE
(By Sector)

Number of Respondents Believing Factor
Has Had A "Negative" Effect:

Factor	Sector				
	Agric. Prod'n	Agro- Proc.	Serv.	Manuf.	Comm.
Raw Material Prices	7 (50)	4 (50)	132 (54)	95 (64)	143 (55)
Raw Material Availability	4 (25)	4 (44)	91 (28)	67 (45)	105 (41)
Interest Rates	2 (18)	4 (67)	69 (41)	39 (40)	71 (41)
Exchange Rates	1 (20)	1 (33)	66 (60)	38 (49)	48 (53)
Taxes	3 (25)	2 (25)	83 (44)	40 (27)	90 (44)
Collateral Requirements	3 (28)	4 (50)	67 (43)	47 (47)	75 (45)
GOK Pronouncements	4 (30)	2 (25)	62 (39)	29 (29)	4 (2)

(Relative frequencies were calculated after subtracting the number who responded "don't know" or had no answer. These relative frequencies are given in the parentheses).

FACTORS AFFECTING BUSINESS PERFORMANCE BY SIZE CATEGORY

FACTOR

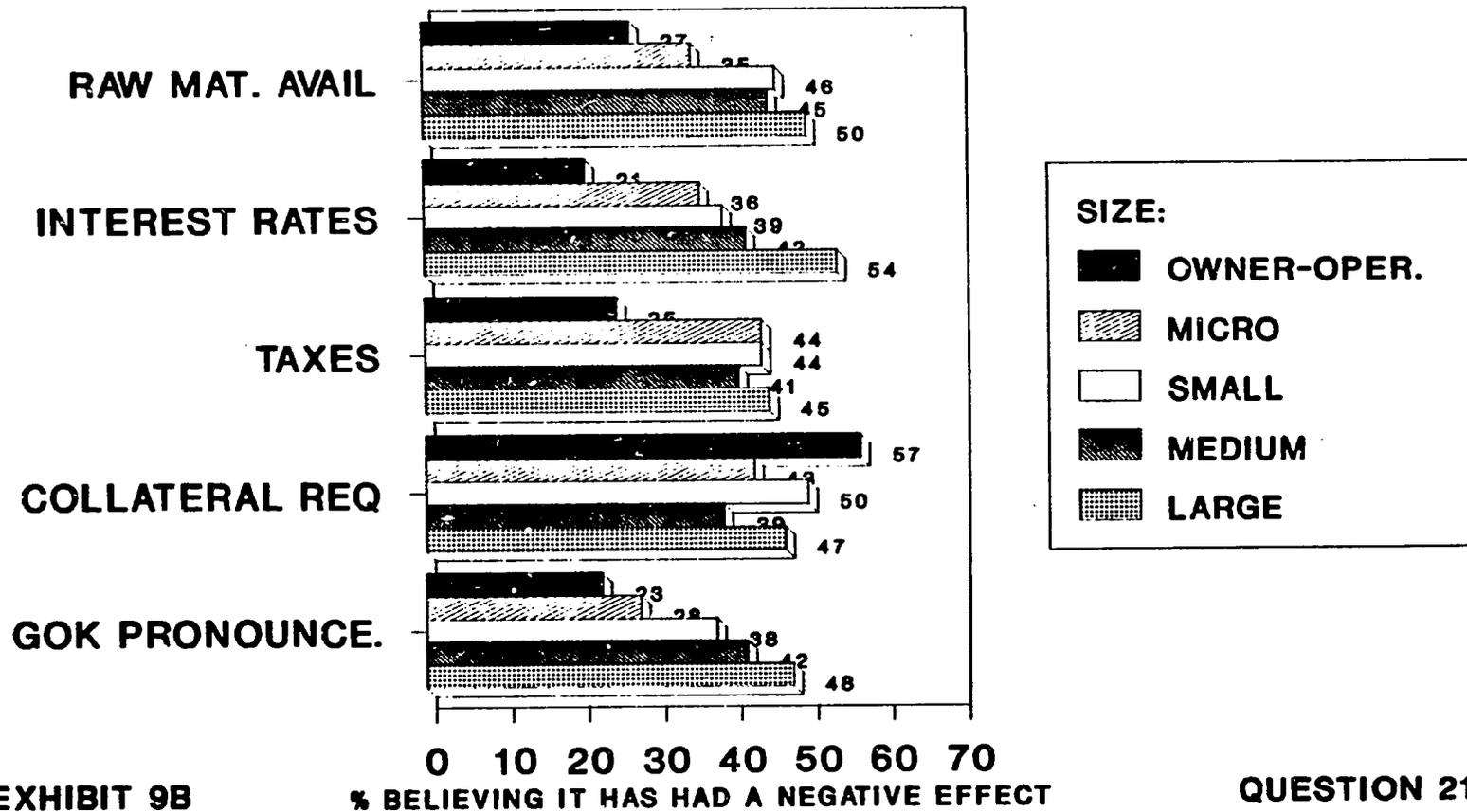


EXHIBIT 9B

QUESTION 21

mt

EXHIBIT 9B

**FACTORS AFFECTING BUSINESS PERFORMANCE
(By Size)**

**Number of Respondents Believing Factor
has had a "Negative" Effect:**

Factor	Size				
	Owner. Operated	Micro Enter.	Small Enter.	Medium Enter.	Large Enter.
Raw Material Availability	22 (37)	93 (35)	49 (46)	73 (45)	34 (50)
Interest Rates	4 (21)	51 (36)	34 (39)	60 (42)	36 (54)
Taxes	8 (25)	73 (44)	43 (44)	65 (41)	30 (57)
Collateral Requirements	19 (57)	61 (43)	41 (50)	49 (38)	27 (47)
GOK Pronouncements	19 (23)	95 (28)	43 (38)	60 (42)	21 (48)

(Relative frequencies were calculated after subtracting the number who responded "don't know" or had no answer. These relative frequencies are given in the parentheses).

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DISTRIBUTION OF TENURE RIGHTS BY SIZE OF FIRM

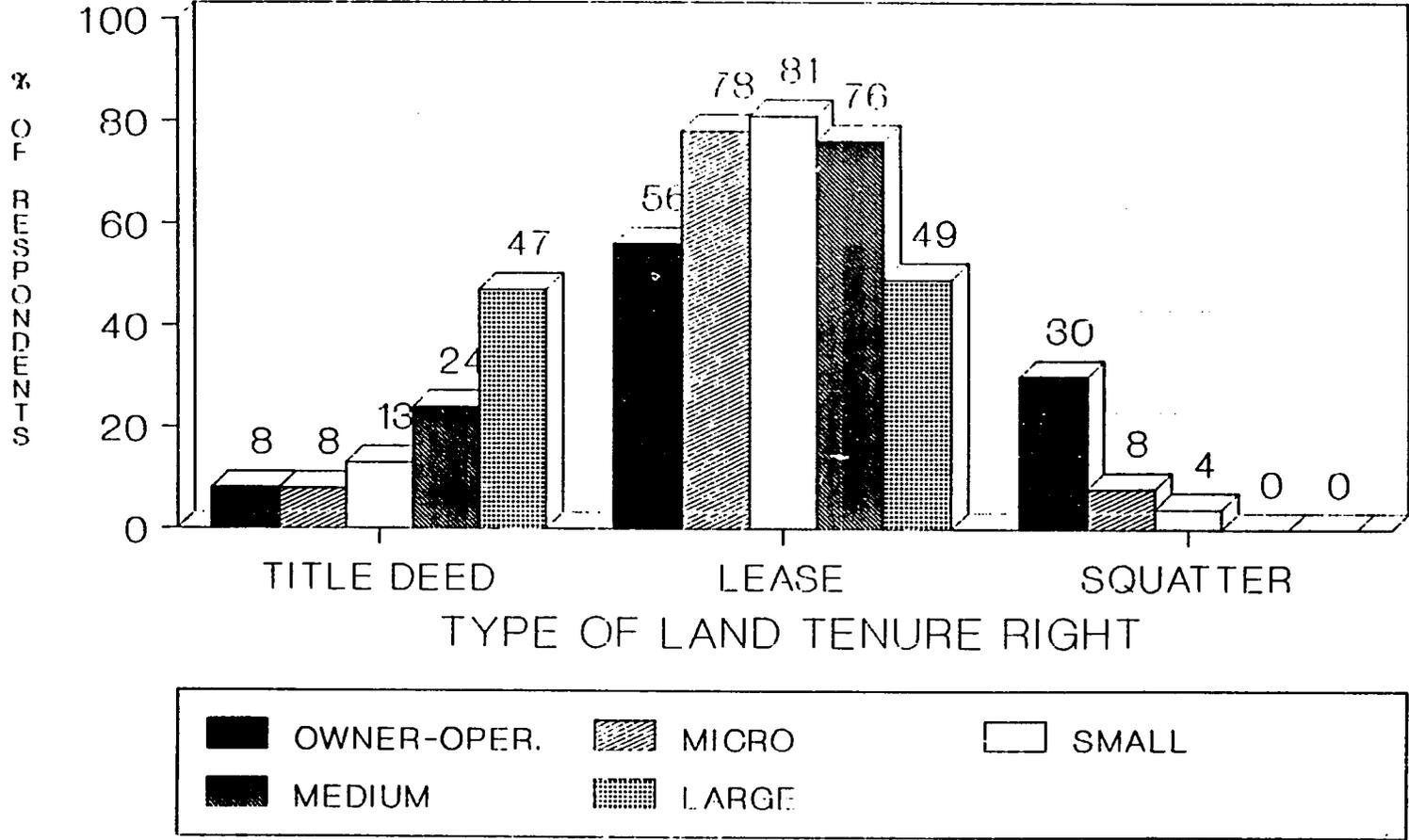


EXHIBIT 10

QUESTION 28

57

EXHIBIT 10

DISTRIBUTION OF TENURE RIGHTS BY SIZE OF FIRM

Type of Tenure	Size of Firm				
	Owner Operated	Micro Enter.	Small Enter.	Medium Enter.	Large
Title Deed	7	25	17	44	33
Lease	50	234	103	141	35
Squatter	27	24	5	0	0
Other	6	16	3	0	0
TOTAL	90	299	128	185	68

EXHIBIT 10A

FACTORS HAVING THE MOST NEGATIVE EFFECT ON PAST SALES

By Size Category:

	<u>Owner-Operated Firms</u>	<u>Micro Enterpr.</u>	<u>Small Firms</u>	<u>Medium Firms</u>	<u>Large Firms</u>
1. Local Competition		Local Competition	Local Competition	Local Competition	Import Reg.s
2. Lack of market infrastructure		GOK Regulations	GOK Regulations	Tax Policies	GOK Reg.s
3. GOK regulations		Tax Policies	Tax Policies	Import Reg.'s	Local Comp.
4. Production Technology		Import Regulations	GOK Marketing Controls	GOK Reg.s	Tax Policies

By Sector:

	<u>Agric. Production</u>	<u>Agro- Processing</u>	<u>Services</u>	<u>Manufac.</u>	<u>Commerce</u>
1. GOK Regulations		GOK Regulations	Local Compet.	Local Compet.	Local Compet.
2. Import Regulations		Local Competition	GOK Reg.'s	GOK Reg.'s	Import Reg.'s
3. Tax Policies		Foreign Competition	Tax Policies	Import Reg.'s	GOK Reg.'s
4. Local Competition		Market Infrastr.	Import Regulations	Road Transport	Tax Policies

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EXHIBIT 10A (continued)
FACTORS HAVING THE MOST NEGATIVE EFFECT ON PAST SALES

Other Firm Categories:

<u>Western Kenya</u>	<u>Kenyan Owned Enterprises</u>	<u>Women-Owned Enterprises</u>
1. Local Competition	1. Local Competition	1. Local Comp.
2. GOK Reg.'s	2. GOK Reg.'s	2. GOK Reg.'s
3. Road Transport	3. Tax Policies	3. Tax Policies
4. Scarcity of inputs	4. Import Reg.'s	4. Import Reg.'s

Exporters*

1. GOK Regulations
2. Local competition
3. Road Transport
4. GOK Marketing Controls

* Refers to those firms which reported exporting over 10 percent of their goods and services.

EFFECT OF GOK REGULATIONS BY FIRM SIZE

Type of Regulation

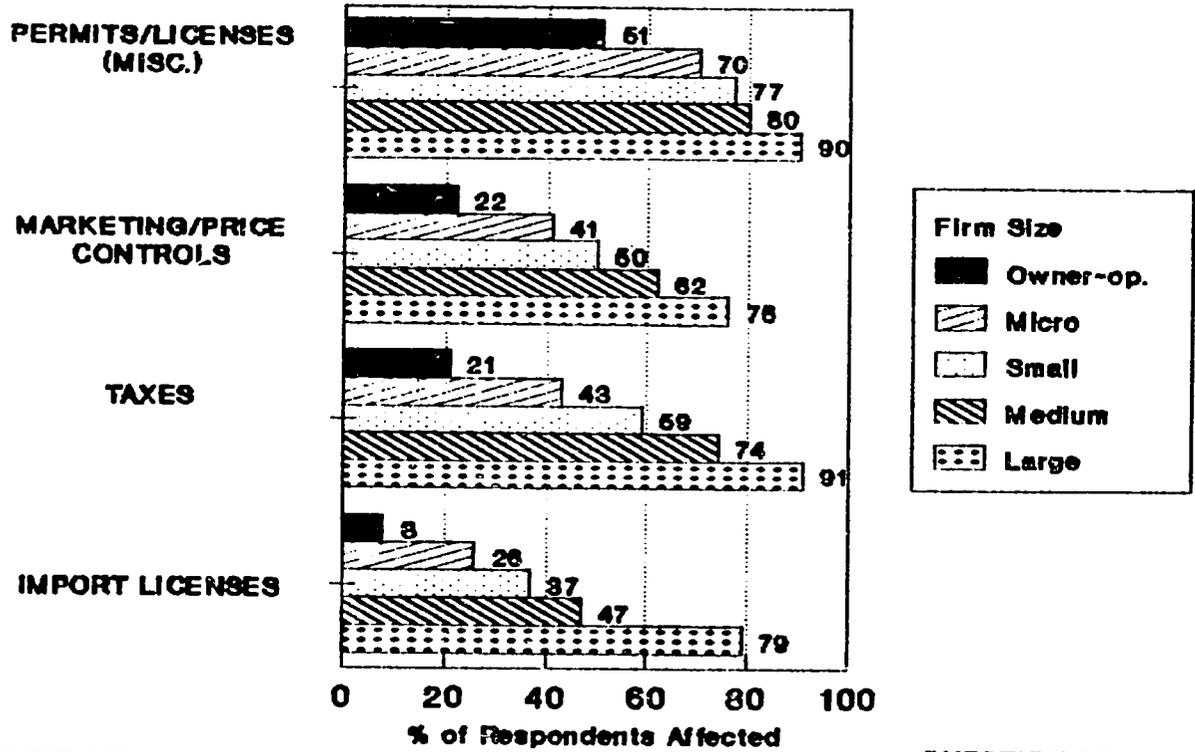


EXHIBIT 10B

QUESTION 26

50

EXHIBIT 10B

EFFECT OF GOK REGULATIONS BY FIRM SIZE

Type of Regulation	Percentage of Firms Affected				
	Owner Operated	Micro Enter.	Small Enter.	Medium Enter.	Large
Permits/Licenses	61	70	77	80	90
Marketing/ Price Controls	22	41	50	50	75
Taxes	21	43	59	74	91
Import Licences	8	26	37	47	79

EFFECT OF TRANSPORT ON EXPORTERS

QUESTION 50

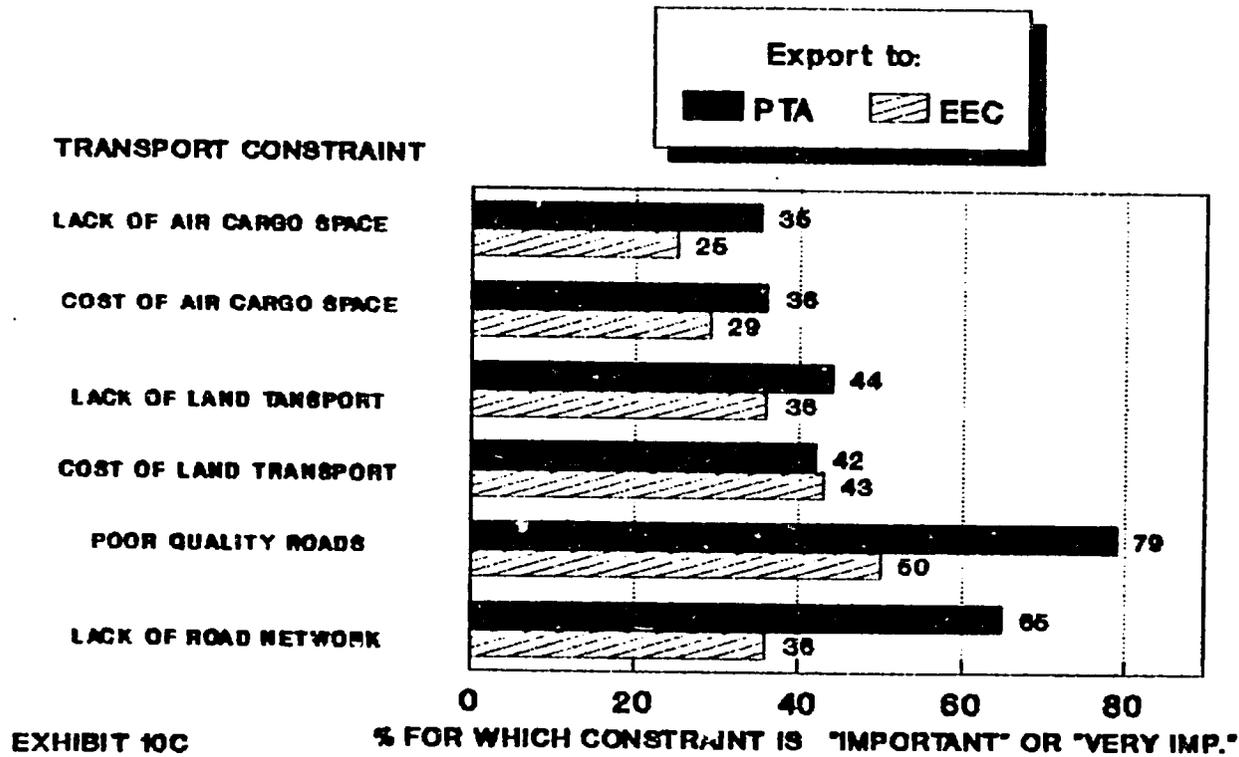


EXHIBIT 10C

520

EXHIBIT 10C

EFFECT OF TRANSPORT ON EXPORTERS

<u>Type of Constraint</u>	Type of Firm	
	<u>Firm Exporting over 10% to PTA</u>	<u>Firm Exporting over 10% to EEC</u>
Lack of Air Cargo Space	35	25
Cost of Air Cargo Space	36	29
Lack of Land Transport	44	36
Cost of Land Transport	42	43
Quality of Road Network	79	60
Lack of Road Network	65	36

AREAS BELIEVED TO OFFER BEST RETURN

Investment Area

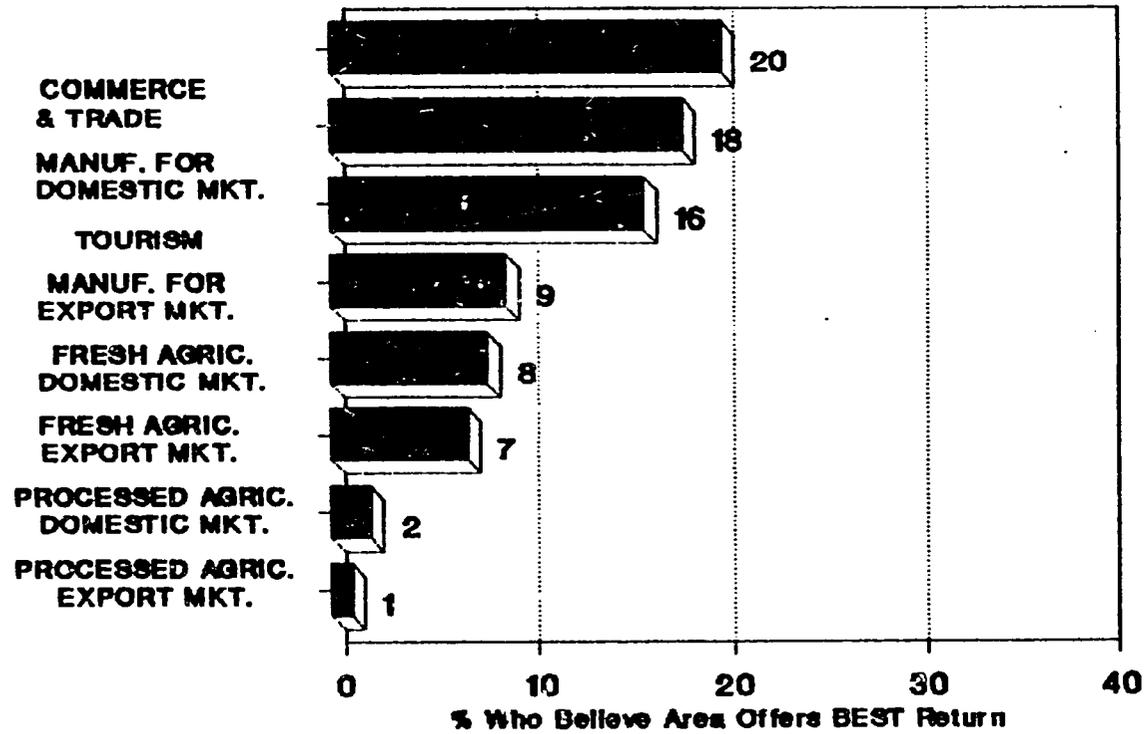


EXHIBIT 11

QUESTION 53

54

EXHIBIT 11

AREAS BELIEVED TO OFFER THE BEST RETURN ON INVESTMENT

Respondents who Believe this is
the Most Profitable Area:

<u>Investment Area</u>	<u>Raw Frequency</u>	<u>Relative Frequency(%)</u>
Fresh or Processed Ag. Production for DOMESTIC Market	57	7.5
Fresh or Processed Ag. Production for EXPORT Market	56	7.3
Agro-Precessed Goods for DOMESTIC Market	16	2.1
Agro-Processed Goods for EXPORT Market	10	1.3
Manufactured Goods for DOMESTIC Market	135	17.7
Manufactured Goods for EXPORT Market	70	9.2
Construction	57	7.5
Tourism	125	16.3
Commerce/Trade	154	20.1
Other Services	58	7.6
Other	27	3.5
TOTAL	765	100.0

EXHIBIT 11A
CHARACTERISTICS OF FIRMS INTERESTED
IN EXPORTING

	Mean	Median	Mode
% sales domestic	89 (96)	100 (100)	100 (100)
% sales to EEC	6 (1.2)	0 (0)	0 (0)
% sales to PTA	3 (0.7)	0 (0)	0 (0)

NOTE: Figures in parentheses are the responses for the total sample of 778 firms).

EXHIBIT 11B

Size distribution of those firms expressing an interest in either the PTA or the EEC, compared to that of the sample:

	Size Category				
	Owner Operated	Micro	Small	Medium	Large
Total Sample (N=778)	11%	39%	17%	24%	9%
Firms interested in PTA	0	12%	25%	47%	16%
Firms interested in EEC	2%	30%	17%	34%	17%

MOST PROFITABLE EXPORT MARKETS

N = 144

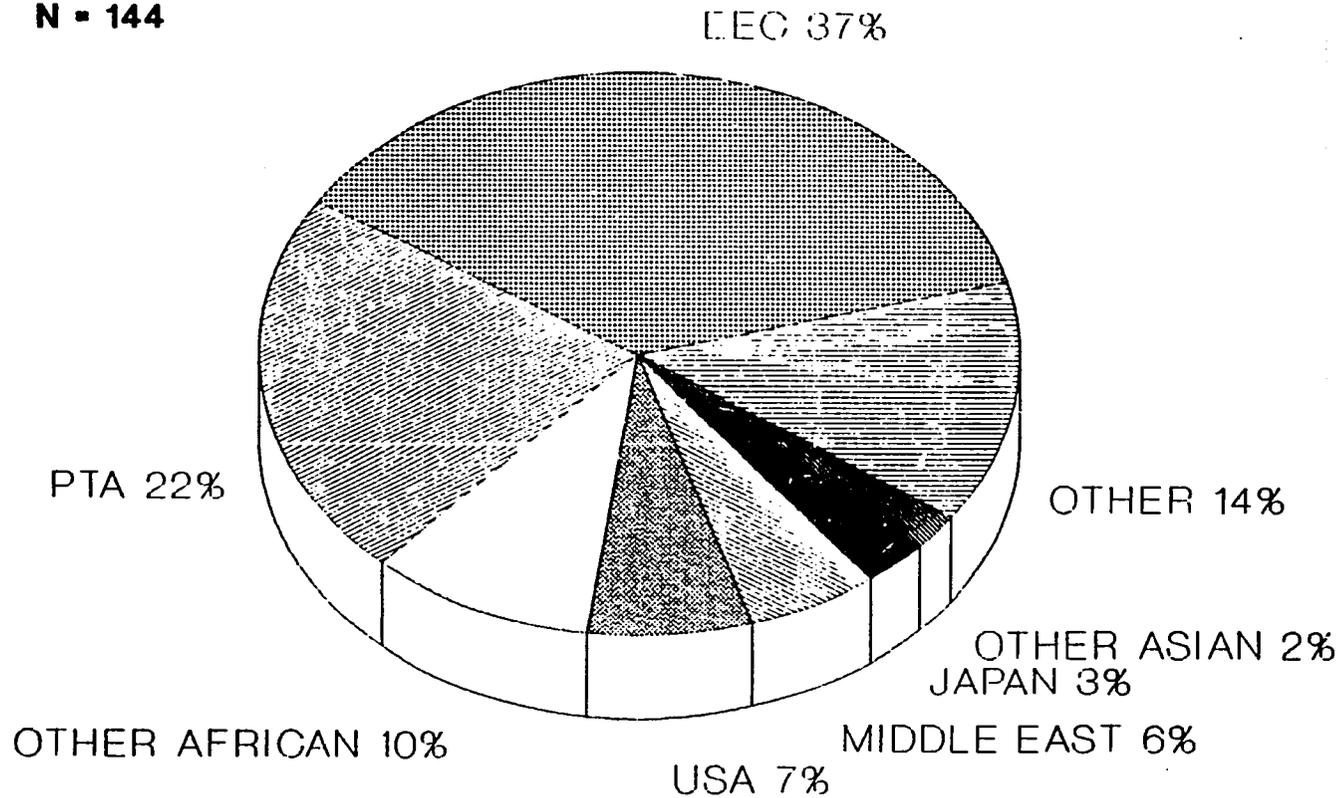


EXHIBIT 12

QUESTION 54

51

EXHIBIT 12

MOST PROFITABLE EXPORT MARKETS

Respondents Believing This To Be
Most Profitable Export Market:

<u>Export Market</u>	<u>Raw Frequency</u>	<u>Relative Frequency(%)</u>
European Economic Community	53	36.6
PTA	32	22.2
Other African Countries	14	9.7
USA	10	6.9
Middle East	8	5.6
Japan	4	2.8
Indian Subcontinent	0	0
Other Asia	3	2.1
South America	0	0
Other	20	14.0
TOTAL	126	100.0

MARKET INFORMATION SOURCES

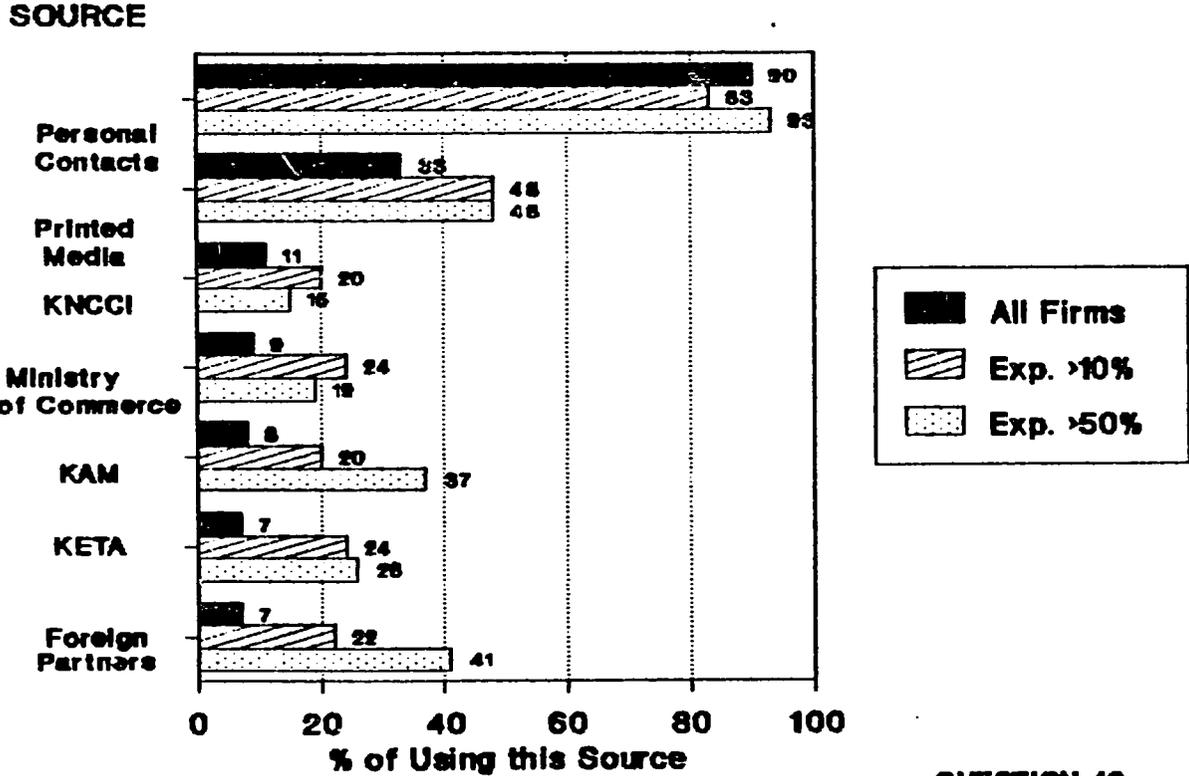


EXHIBIT 12A

QUESTION 48

54

EXHIBIT 13

MAJOR RESOURCE CONSTRAINTS

By Size Category:

	<u>Owner-Operated Firms</u>	<u>Micro Enterpr.</u>	<u>Small Firms</u>	<u>Medium Firms</u>	<u>Large Firms</u>
1. Access to Credit		Access to Credit	Access to Affordable Transport	Access to Spare Parts	Access to Spare Parts
2. Access to Suitable Premises		Access to Suitable Premises	Access to Credit	Access to Credit	Access to Affordable Transport
3. Access to Land		Access to Land	Access to Land	Access to Land	Access to Raw mat.'s
4. Access to equipment/Technology		Reliable/Cheap Power	Access to spare parts	Access to Affordable Transport	Access to Equipment/Technology

By Sector:

	<u>Agric. Production</u>	<u>Agro- Processing</u>	<u>Services</u>	<u>Manufac.</u>	<u>Commerce</u>
1. Access to Affordable Transport		Access to Raw materials	Access to Spare Parts	Access to Credit	Access to Credit
2. Access to Reliable/Cheap Power		Access to Credit	Access to Affordable Transport	Access to Affordable Transport	Access to Affordable Transport
3. Access to Technology/Equipment		Access to Affordable Transport	Access to Land	Access to Spare Parts	Access to Raw Mat.'s
4. Access to Raw Materials		Access to Spare Parts	Access to Afford/Rel. Power	Access to Land	Access to Land

EXHIBIT 13 (continued)
MAJOR RESOURCE CONSTRAINTS

Other Firm Categories:

<u>Western Kenya</u>	<u>Kenyan Owned Enterprises</u>	<u>Women Owned Enterprises</u>
1. Access to Affordable Transport	1. Access to Affordable Transport	1. Access to Credit
2. Access to Credit	2. Access to Credit	2. Access to Affordable Transport
3. Availability of Transport	3. Access to Land	3. Access to Affordable/Reliable Power
4. Access to Water	4. Access to Spare Parts	4. Access to Land

Exporters*

1. Access to Affordable Transport
2. Access to Spare Parts
3. Access to Affordable/Reliable Power
4. Access to Credit

* Refers to those firms which reported exporting over 10 percent of their goods and services.

SOURCES OF CAPITAL: SMALL FIRMS

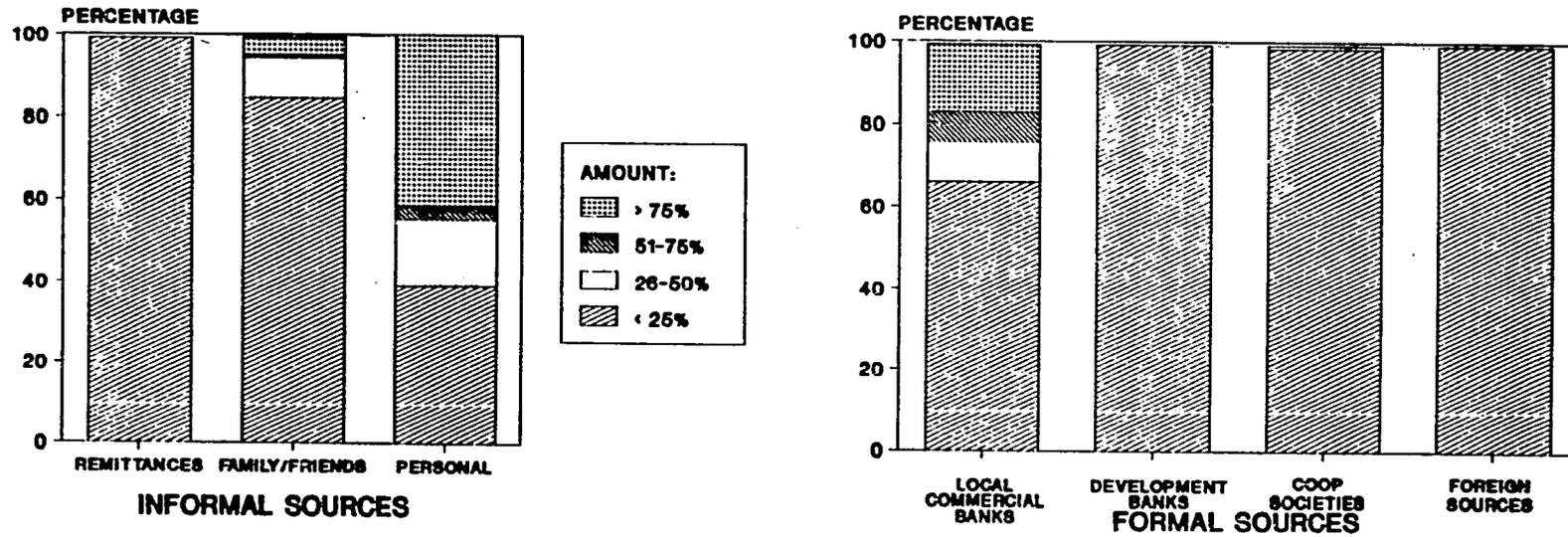


EXHIBIT 14A

QUESTION 40

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SOURCES OF CAPITAL: LARGE FIRMS

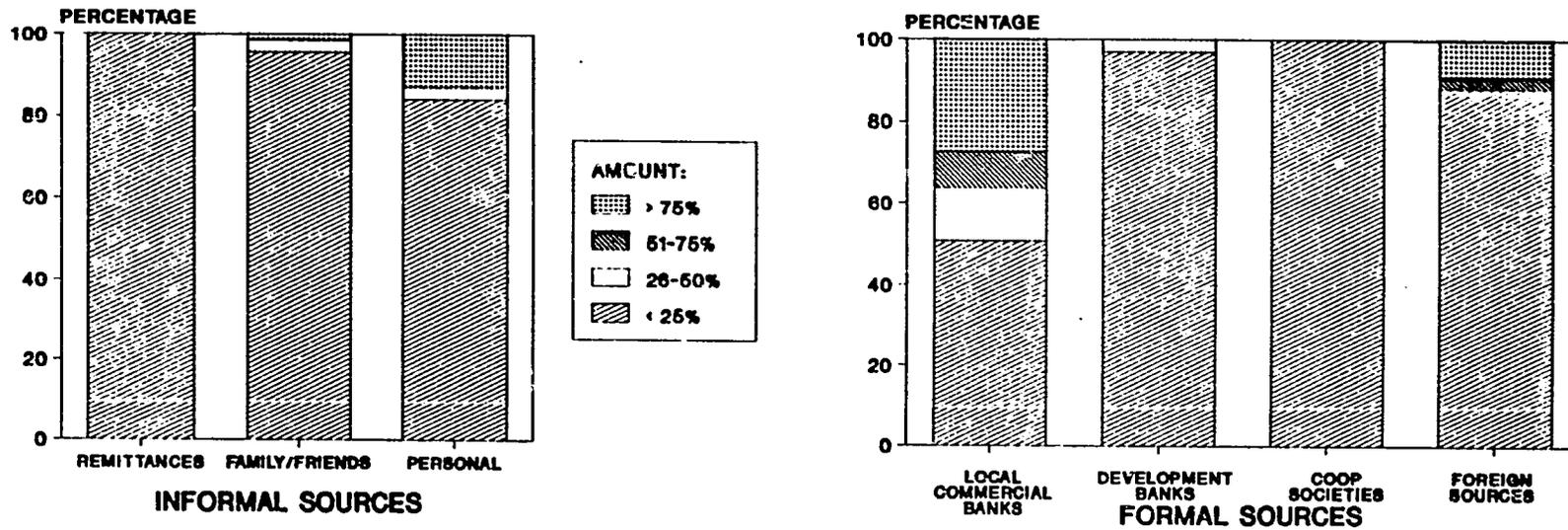


EXHIBIT 14B

QUESTION 40

62

EXHIBITS 14A AND 14B

SOURCES OF CAPITAL
(by firm size)

Source: Local Commercial Banks

Number of Respondents who get:	Size Category				
	Owner Operated	Micro- Enter.	Small Enter.	Medium Enter.	Large Enter.
Less than 25 percent of their capital from this source	90	254	82	111	35
Between 26 and 50% of their capital from this source	0	20	12	25	9
Between 51 and 75% of their capital from this source	0	8	9	8	6
Over 75% of their capital from this source	0	10	20	34	19
TOTAL	90	293	123	178	69

Source: Development Bank

Number of Respondents who get:	Owner Operated	Size Category			Large Enter.
		Micro- Enter.	Small Enter.	Medium Enter.	
Less than 25 percent of their capital from this source	90	292	123	178	66
Between 26 and 50% of their capital from this source	0	1	0	0	2
Between 51 and 75% of their capital from this source	0	0	0	0	0
Over 75% of their capital from this source	0	0	0	0	0
TOTAL	90	293	123	178	68

Source: Cooperative Societies

Number of Respondents who get:	Owner Operated	Size Category			Large Enter.
		Micro- Enter.	Small Enter.	Medium Enter.	
Less than 25 percent of their capital from this source	89	289	122	176	68
Between 26 and 50% of their capital from this source	0	3	1	1	0
Between 51 and 75% of their capital from this source	1	0	0	0	0
Over 75% of their capital from this source	0	0	0	0	0
TOTAL	90	292	123	177	68

65

Source: Foreign Partners

Number of Respondents who get:	Size Category				
	Owner Operated	Micro- Enter.	Small Enter.	Medium Enter.	Large Enter.
Less than 25 percent of their capital from this source	90	290	123	172	60
Between 26 and 50% of their capital from this source	0	3	0	2	0
Between 51 and 75% of their capital from this source	0	0	0	1	2
Over 75% of their capital from this source	0	0	0	2	4
TOTAL	90	293	123	177	66

Source: Remittances

Number of Respondents who get:	Size Category				
	Owner Operated	Micro- Enter.	Small Enter.	Medium Enter.	Large Enter.
Less than 25 percent of their capital from this source	90	293	123	175	68
Between 26 and 50% of their capital from this source	0	0	0	2	0
Between 51 and 75% of their capital from this source	0	0	0	1	0
Over 75% of their capital from this source	0	0	0	0	0
TOTAL	90	293	123	178	68

66

Source: Family/Friends

Number of Respondents who get:	Owner Operated	Size Category			
		Micro- Enter.	Small Enter.	Medium Enter.	Large Enter.
Less than 25 percent of their capital from this source	78	253	105	157	65
Between 26 and 50% of their capital from this source	5	23	12	7	2
Between 51 and 75% of their capital from this source	1	2	1	6	0
Over 75% of their capital from this source	0	0	0	0	0
TOTAL	84	278	118	170	67

Source: Personal Funds

Number of Respondents who get:	Owner Operated	Size Category			
		Micro- Enter.	Small Enter.	Medium Enter.	Large Enter.
Less than 25 percent of their capital from this source	8	50	48	85	58
Between 26 and 50% of their capital from this source	5	20	20	17	2
Between 51 and 75% of their capital from this source	0	13	4	13	0
Over 75% of their capital from this source	76	210	51	62	9
TOTAL	89	293	123	177	69

EFFECT OF LACK OF CAPITAL ON PROJECTS (BY SIZE)

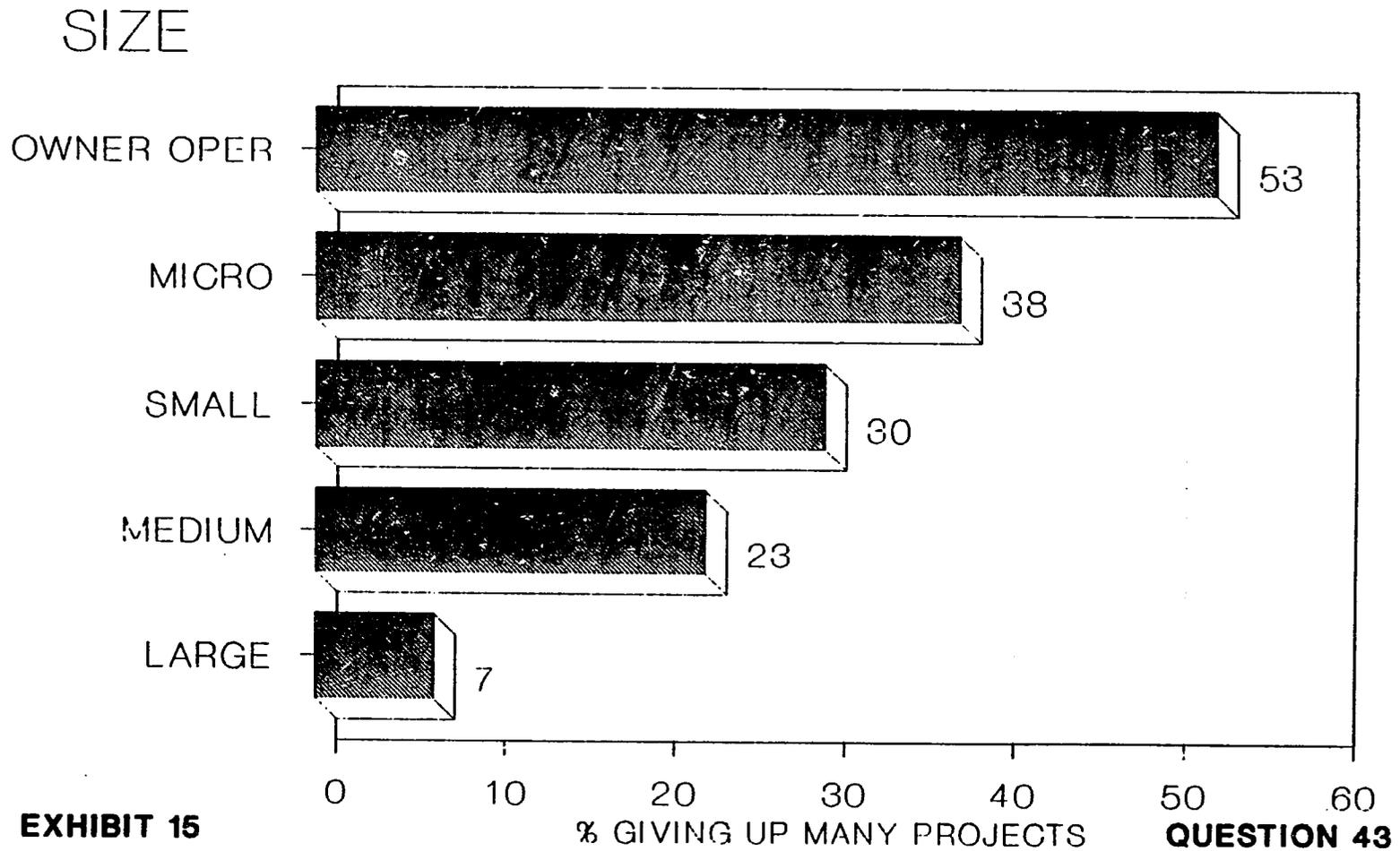


EXHIBIT 15

EFFECT OF LACK OF CAPITAL ON PROJECT DEVELOPMENT

Number Believing that
Lack of Capital Has
Caused Them To Give
Up:

	Size Category				
	Owner Operated	Micro- Enter.	Small Enter.	Medium Enter.	Large Enter
Many Projects	40	113	39	43	5
Few Projects	20	103	43	65	34
No Projects	14	83	47	79	31
TOTAL	74	299	129	187	70

FACTORS ACCOUNTING FOR DIFFICULTY IN ACCESSING INPUTS

FACTORS

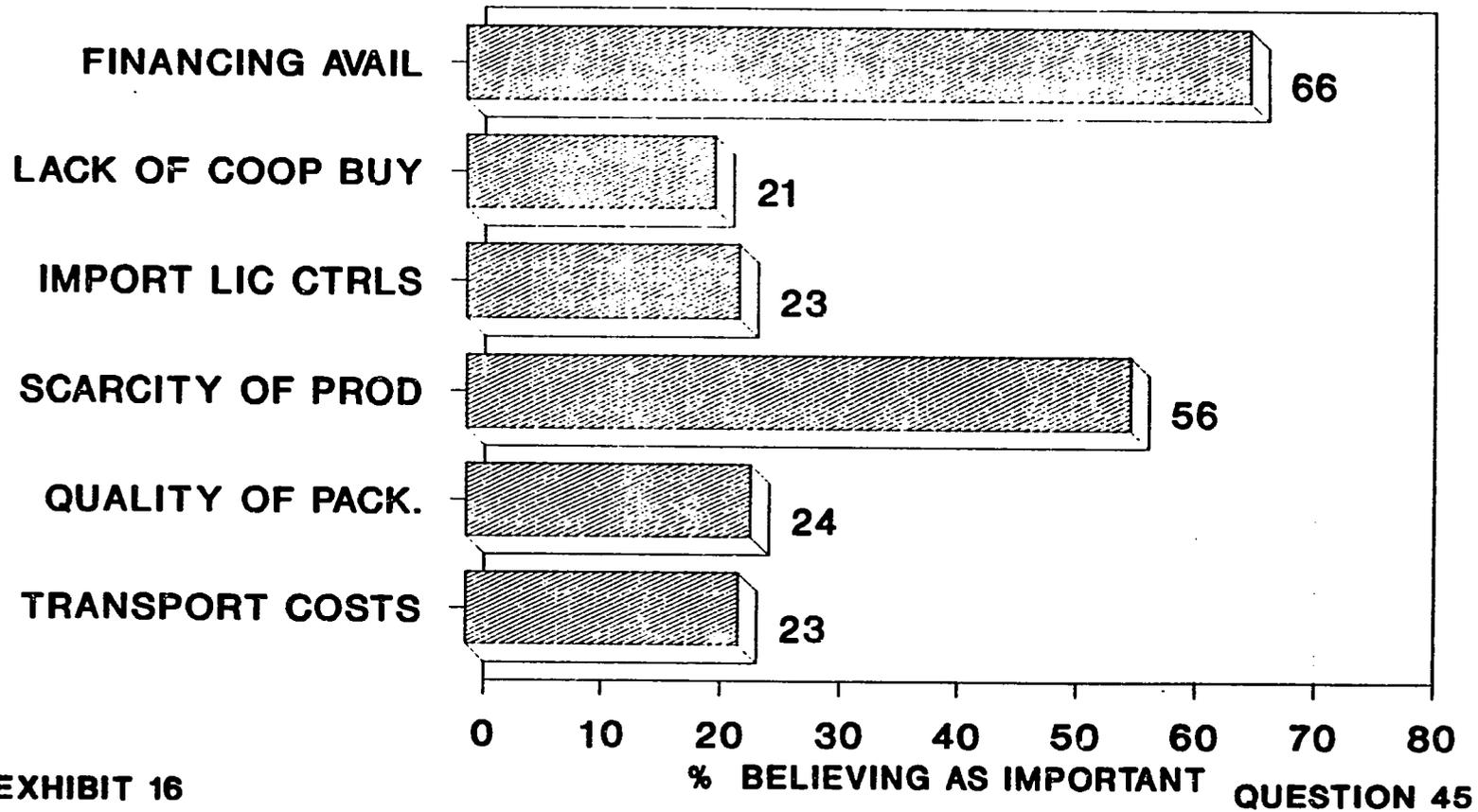


EXHIBIT 16

FACTORS ACCOUNTING FOR DIFFICULTY ACCESSING INPUTS

Factor 1: Availability of Financing

Number Believing
The Factor Has Had:

	Size Category				
	Owner Operated	Micro- Enter.	Small Enter.	Medium Enter.	Large Enter
A Very Important Effect	29	99	38	48	26
An Important Effect	7	23	7	27	7
No Effect	1	17	12	15	7
TOTAL	37	139	57	90	40

Factor 2: Lack of Cooperative Buying

Number Believing
The Factor Has Had:

	Size Category				
	Owner Operated	Micro- Enter.	Small Enter.	Medium Enter.	Large Enter
A Very Important Effect	6	20	10	9	5
An Important Effect	4	17	1	6	2
No Effect	12	59	26	39	20
TOTAL	22	96	37	54	27

(Totals exclude those who responded "don't know" or had no answer. The percentages in the graph are calculated on the basis of these totals).

Factor 3: Import Licensing Controls

Number Believing
The Factor Has Had:

	Owner Operated	Size Category			
		Micro- Enter.	Small Enter.	Medium Enter.	Large Enter
A Very Important Effect	0	28	21	38	25
An Important Effect	2	12	4	7	6
No Effect	6	21	10	14	6
TOTAL	8	61	35	59	37

Factor 4: Scarcity of Product in Local Market

Number Believing
The Factor Has Had:

	Owner Operated	Size Category			
		Micro- Enter.	Small Enter.	Medium Enter.	Large Enter
A Very Important Effect	15	74	32	43	15
An Important Effect	11	36	8	26	13
No Effect	8	26	10	12	10
TOTAL	34	136	50	81	38

Factor 5: Quality of Packaging

Number Believing
The Factor Has Had:

	Size Category				
	Owner Operated	Micro- Enter.	Small Enter.	Medium Enter.	Large Enter
A Very Important Effect	4	19	11	21	7
An Important Effect	2	22	11	21	5
No Effect	10	56	21	21	19
TOTAL	16	97	43	63	31

Factor 6: Cost of Transport

Number Believing
The Factor Has Had:

	Size Category				
	Owner Operated	Micro- Enter.	Small Enter.	Medium Enter.	Large Enter
A Very Important Effect	9	26	13	16	7
An Important Effect	3	40	8	18	13
No Effect	15	54	25	45	16
TOTAL	27	120	46	79	36

PERCEPTIONS REGARDING AVAILABILITY OF LABOR SKILLS (BY SECTOR)

LABOR SKILLS

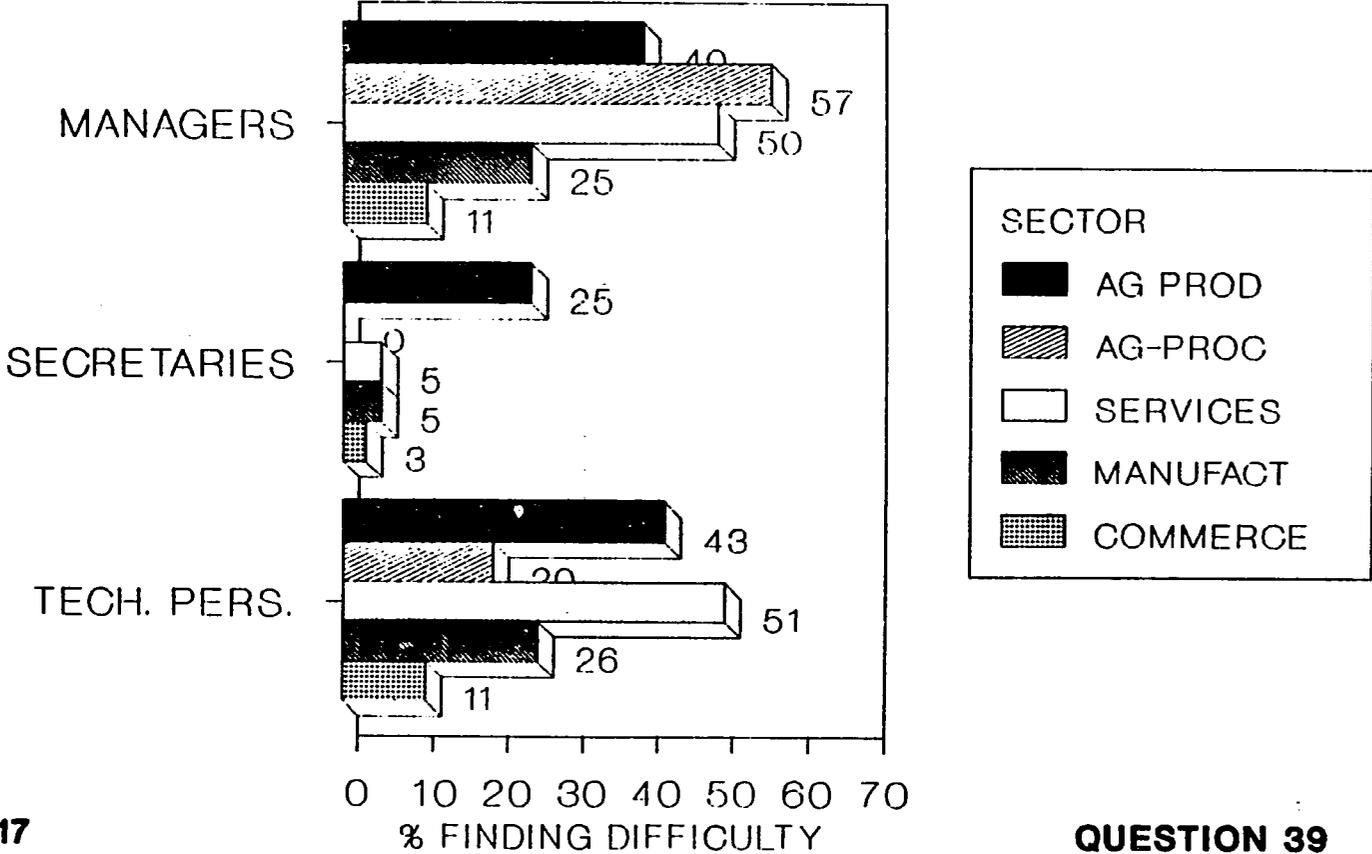


EXHIBIT 17

QUESTION 39

EXHIBIT 17

AVAILABILITY OF LABOR SKILLS

Skill Category 1: Managers

Number of Respondents
for Which Recruitment
of Qualified Kenyan
Africans:

	Sector				
	Agric. Prod.	Agro- Proce.	Serv.	Manuf.	Comm.
Is Difficult	4	4	63	38	31
Is Easy	6	3	64	32	55
TOTAL	10	7	127	70	86

Skill Category 2: Secretaries

Number of Respondents
for Which Recruitment
of Qualified Kenyan
Africans:

	Sector				
	Agric. Prod.	Agro- Proce.	Serv.	Manuf.	Comm.
Is Difficult	2	0	16	8	10
Is Easy	6	5	100	57	55
TOTAL	8	5	116	65	65

(The percentages in the graph were calculated after subtracting the number of respondents who had no opinion, e.g. answered "don't know").

Skill Category 3: Technical Personnel

Number of Respondents
for Which Recruitment
of Qualified Kenyan
Africans:

	Sector				
	Agric. Prod.	Agro- Proce.	Serv.	Manuf.	Comm.
Is Difficult	3	1	77	40	32
Is Easy	4	4	74	54	31
TOTAL	7	5	151	94	63

AREAS TO INVEST IN TO IMPROVE BUSINESS OPERATIONS (BY SECTOR)

AREAS

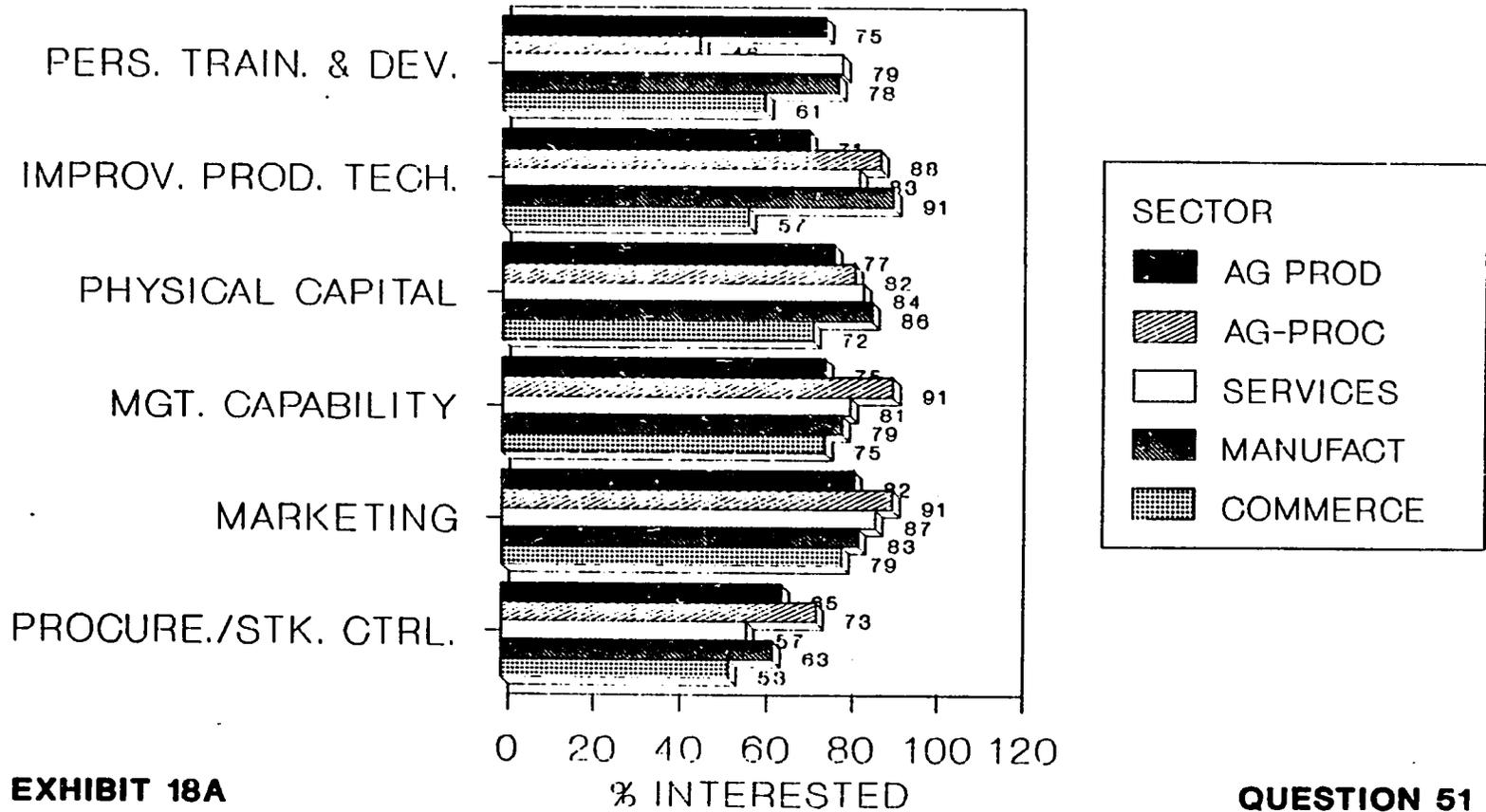


EXHIBIT 18A

QUESTION 51

EXHIBIT 18A

AREAS IN WHICH FIRMS WISH TO INVEST TO IMPROVE
THEIR OPERATIONS
(Responses by Sector)

Area 1: Personnel Training and Development

Number of Firms
That:

	Sector				
	Agric. Prod.	Agro- Proce.	Serv.	Manuf.	Comm.
Are Interested	12	5	209	112	149
Are NOT Interested	4	5	54	32	95
TOTAL	16	10	263	144	149

Area 2: Improve Production Technology

Number of Firms
That:

	Sector				
	Agric. Prod.	Agro- Proce.	Serv.	Manuf.	Comm.
Are Interested	10	7	196	135	83
Are NOT Interested	4	1	38	14	61
TOTAL	14	18	134	149	144

(The percentages in the graph were calculated after subtracting the number of respondents who had no opinion, e.g. answered "don't know").

Area 3: Improved Physical Capital

Number of Firms
That:

	Sector				
	Agric. Prod.	Agro- Proce.	Serv.	Manuf.	Comm.
Are Interested	13	9	228	125	184
Are NOT Interested	4	2	44	21	68
TOTAL	17	11	272	146	252

Area 4: Improving Managerial Capacity

Number of Firms
That:

	Sector				
	Agric. Prod.	Agro- Proce.	Serv.	Manuf.	Comm.
Are Interested	12	10	214	112	190
Are NOT Interested	4	1	50	30	64
TOTAL	16	11	264	142	254

Area 5: Marketing

Number of Firms
That:

	Sector				
	Agric. Prod.	Agro- Proce.	Serv.	Manuf.	Comm.
Are Interested	14	10	233	119	220
Are NOT Interested	3	1	35	25	45
TOTAL	17	11	268	144	265

Area 6: Procurement

Number of Firms
That:

	Sector				
	Agric. Prod.	Agro- Proce.	Serv.	Manuf.	Comm.
Are Interested	11	8	171	96	155
Are NOT Interested	5	2	53	38	63
TOTAL	16	10	224	134	218

AREAS TO INVEST IN TO IMPROVE BUSINESS OPERATIONS (BY SIZE)

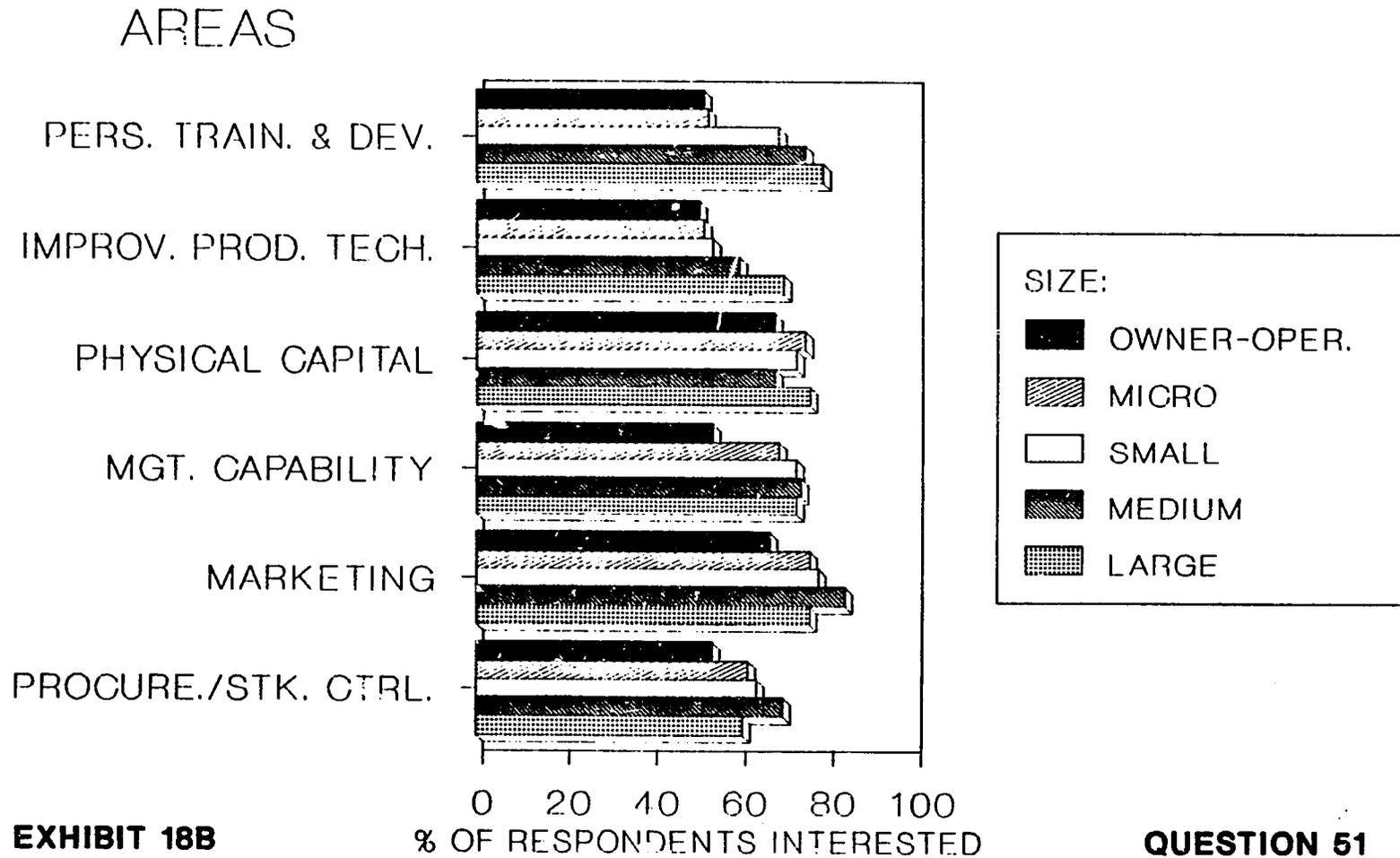


EXHIBIT 18B

QUESTION 51

EXHIBIT 18B

**AREAS IN WHICH FIRMS WISH TO INVEST TO IMPROVE
THEIR OPERATIONS
(Responses by Size Category)**

Area 1: Personnel Training and Development

Number of Firms
That:

	Size Category				
	Owner. Oper.	Micro Enter.	Small Enter.	Medium Enter.	Large Enter.
Are Interested	47	160	89	139	56
Are NOT Interested	19	92	29	37	13
TOTAL	56	152	118	176	69

Area 2: Improve Production Technology

Number of Firms
That:

	Size Category				
	Owner. Oper.	Micro Enter.	Small Enter.	Medium Enter.	Large Enter.
Are Interested	46	157	69	112	50
Are NOT Interested	16	49	19	25	9
TOTAL	62	206	88	137	59

(The percentages in the graph were calculated after subtracting the number of respondents who had no opinion, e.g. answered "don't know").

Area 3: Improve Physical Capital

Number of Firms
That:

	Owner. Oper.	Micro Enter.	Size Category Small Enter.	Medium Enter.	Large Enter.
Are Interested	61	226	94	127	54
Are NOT Interested	11	50	25	42	12
TOTAL	72	276	119	169	66

Area 4: Improve Managerial Capacity

Number of Firms
That:

	Owner. Oper.	Micro Enter.	Size Category Small Enter.	Medium Enter.	Large Enter.
Are Interested	49	208	94	138	52
Are NOT Interested	15	59	26	35	15
TOTAL	64	267	120	173	67

Area 5: Marketing

Number of Firms
That:

	Size Category				
	Owner. Oper.	Micro Enter.	Small Enter.	Medium Enter.	Large Enter.
Are Interested	60	229	101	156	54
Are NOT Interested	10	44	18	22	15
TOTAL	70	273	119	178	69

Area 6: Procurement

Number of Firms
That:

	Size Category				
	Owner. Oper.	Micro Enter.	Small Enter.	Medium Enter.	Large Enter.
Are Interested	50	170	70	110	44
Are NOT Interested	10	65	30	38	19
TOTAL	60	235	100	148	63

MEMBERSHIP IN ASSOCIATION (BY SIZE CATEGORY AND OWNERSHIP)

QUESTION 55

SIZE CATEGORY

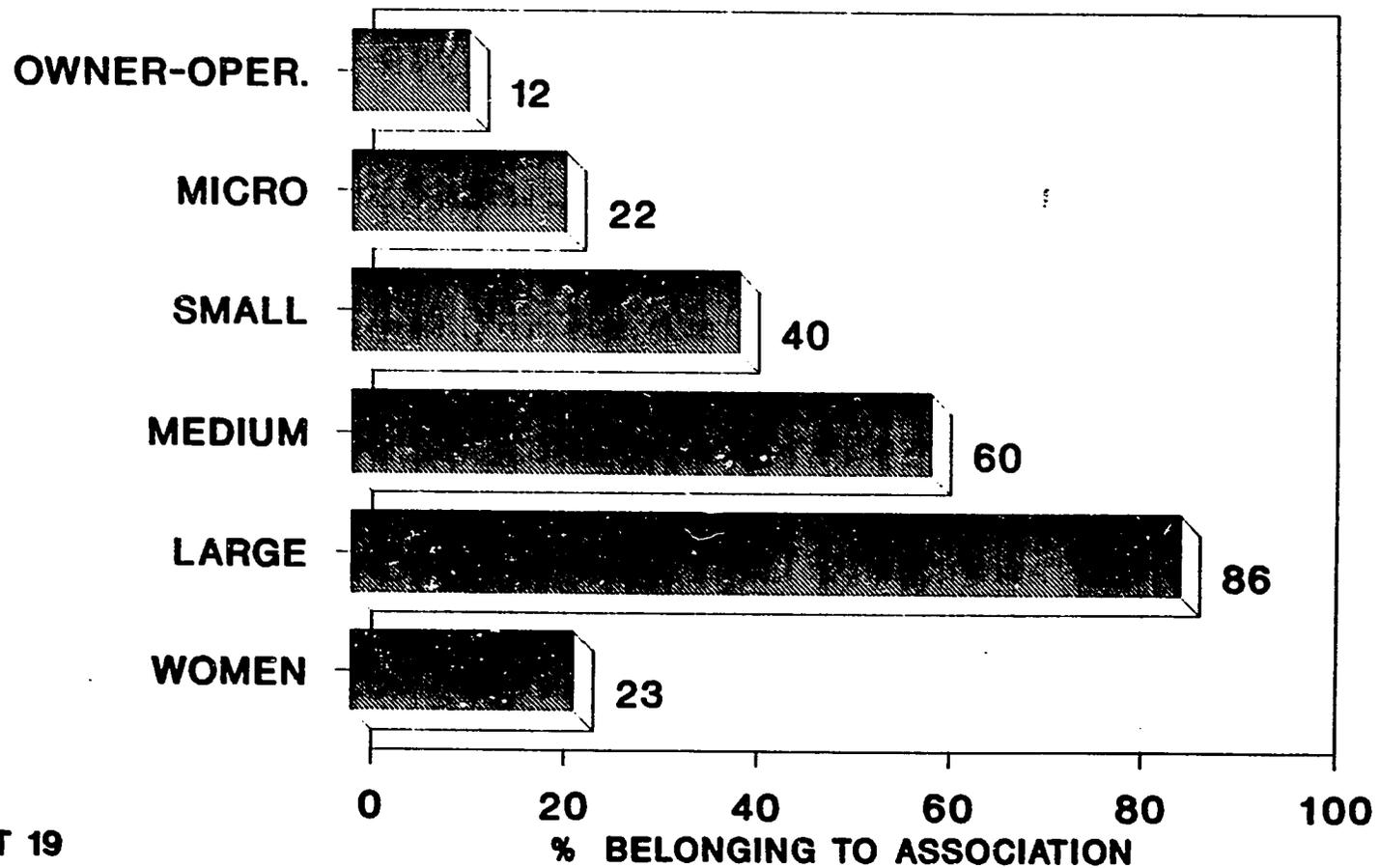


EXHIBIT 19

50

EXHIBIT 19

MEMBERSHIP IN ASSOCIATION
(by Size Category and Ownership Characteristics)

<u>Type of Firm</u>	<u>Proportion of The Total Reporting Membership in Some Association:</u>
All Firms	38.8
Owner-Operated	12.2
Micro-Enterprises	22.1
Small Enterprises	39.5
Medium Enterprises	59.7
Large Enterprises	85.9
Women-Owned Enterprises	23.2
African Kenyan Owned	30.8

MEMBERS RATE EFFECTIVENESS OF ASSOCIATIONS

ASSOCIATION

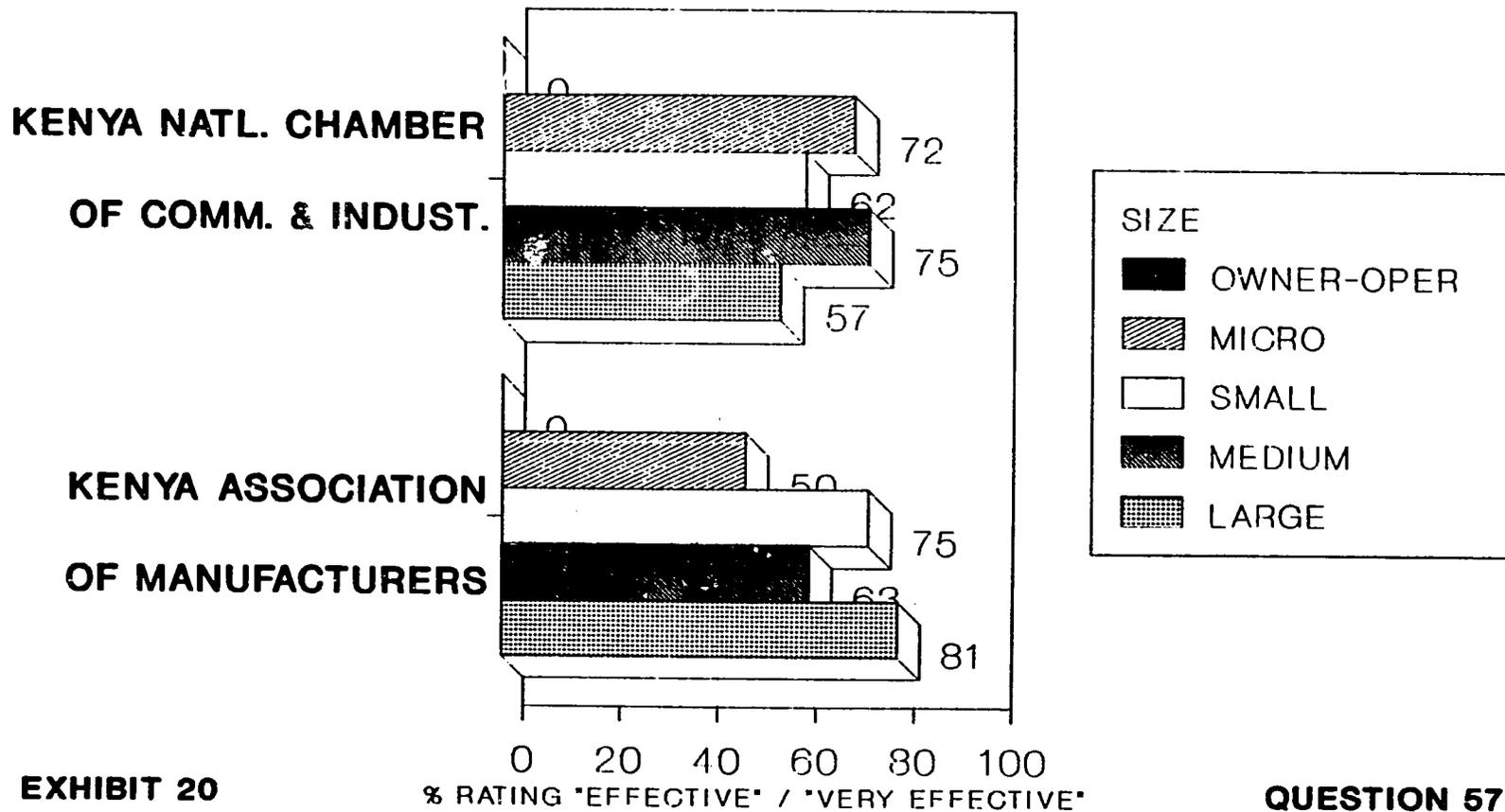


EXHIBIT 20

QUESTION 57

EXHIBIT 20

MEMBERS RATE EFFECTIVENESS OF THEIR ASSOCIATIONS

Kenya National Chamber of Commerce and Industry

Number of Members Who
Believe the Association
Is:

	Size Category				
	Owner. Oper.	Micro Enter.	Small Enter.	Medium Enter.	Large Enter.
Very Effective	0	10	5	17	3
Effective	0	13	8	30	18
Not Effective	0	9	8	16	16
TOTAL	0	33	21	63	37

Kenya Association of Manufacturers

Number of Members Who
Believe the Association
Is:

	Size Category				
	Owner. Oper.	Micro Enter.	Small Enter.	Medium Enter.	Large Enter.
Very Effective	0	4	0	4	7
Effective	0	0	3	15	19
Not Effective	0	4	1	11	6
TOTAL	0	8	4	30	32

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DEMAND FOR ASSOCIATION SERVICES

SERVICES

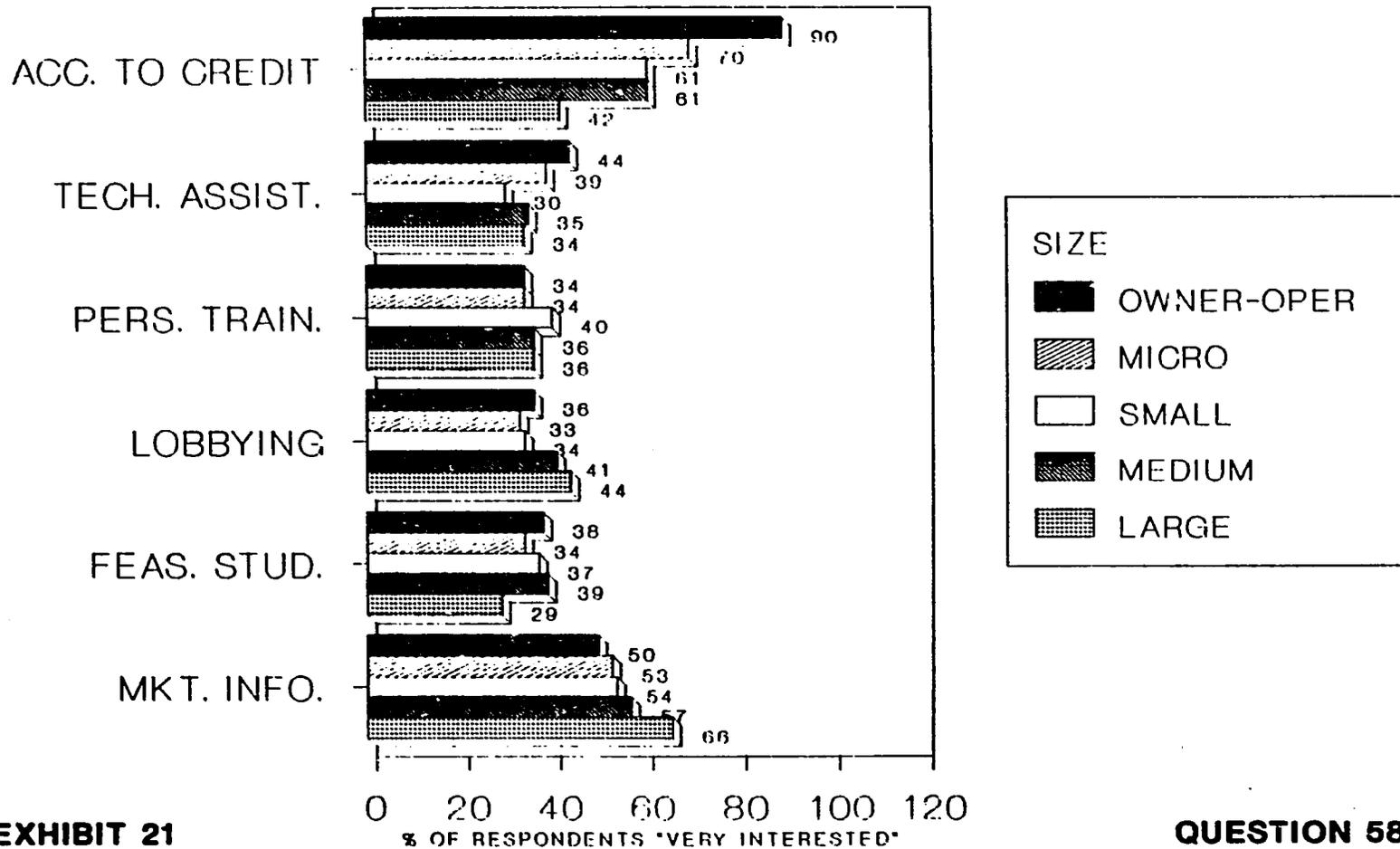


EXHIBIT 21

QUESTION 58

EXHIBIT 21

**DEMAND FOR ASSOCIATION SERVICES
(By Size Category)**

Type of Service: Access to Credit

Number of Respondents
Who Are:

	Size Category				
	Owner. Oper.	Micro Enter.	Small Enter.	Medium Enter.	Large Enter.
Very Interested	79	203	76	103	28
Interested	7	48	18	33	13
Not Interested	2	38	30	33	25
TOTAL	88	289	124	169	66

Type of Service: Technical Assistance

Number of Respondents
Who Are:

	Size Category				
	Owner. Oper.	Micro Enter.	Small Enter.	Medium Enter.	Large Enter.
Very Interested	30	87	37	54	22
Interested	17	49	28	52	21
Not Interested	21	88	39	48	22
TOTAL	68	224	104	154	65

Type of Service: Personnel Training Services

Number of Respondents
Who Are:

	Size Category				
	Owner. Oper.	Micro Enter.	Small Enter.	Medium Enter.	Large Enter.
Very Interested	22	86	46	60	24
Interested	22	60	32	52	22
Not Interested	20	109	38	53	21
TOTAL	64	255	116	165	67

Type of Service: Lobbying

Number of Respondents
Who Are:

	Size Category				
	Owner. Oper.	Micro Enter.	Small Enter.	Medium Enter.	Large Enter.
Very Interested	26	83	38	66	29
Interested	29	82	35	44	18
Not Interested	17	84	38	50	19
TOTAL	72	249	111	160	66

Type of Service: Feasibility Studies

Number of Respondents
Who Are:

	Size Category				
	Owner. Oper.	Micro Enter.	Small Enter.	Medium Enter.	Large Enter.
Very Interested	23	79	39	62	19
Interested	19	61	31	42	12
Not Interested	18	91	35	56	34
TOTAL	60	231	105	160	65

Type of Service: Marketing Information

Number of Respondents
Who Are:

	Size Category				
	Owner. Oper.	Micro Enter.	Small Enter.	Medium Enter.	Large Enter.
Very Interested	40	144	65	101	45
Interested	26	81	31	52	13
Not Interested	14	45	24	23	10
TOTAL	80	270	120	176	68

APPENDIX A

FREQUENCY DISTRIBUTIONS AND SURVEY QUESTIONNAIRE

MEMBERSHIP IN SELECTED ASSOCIATIONS

Association

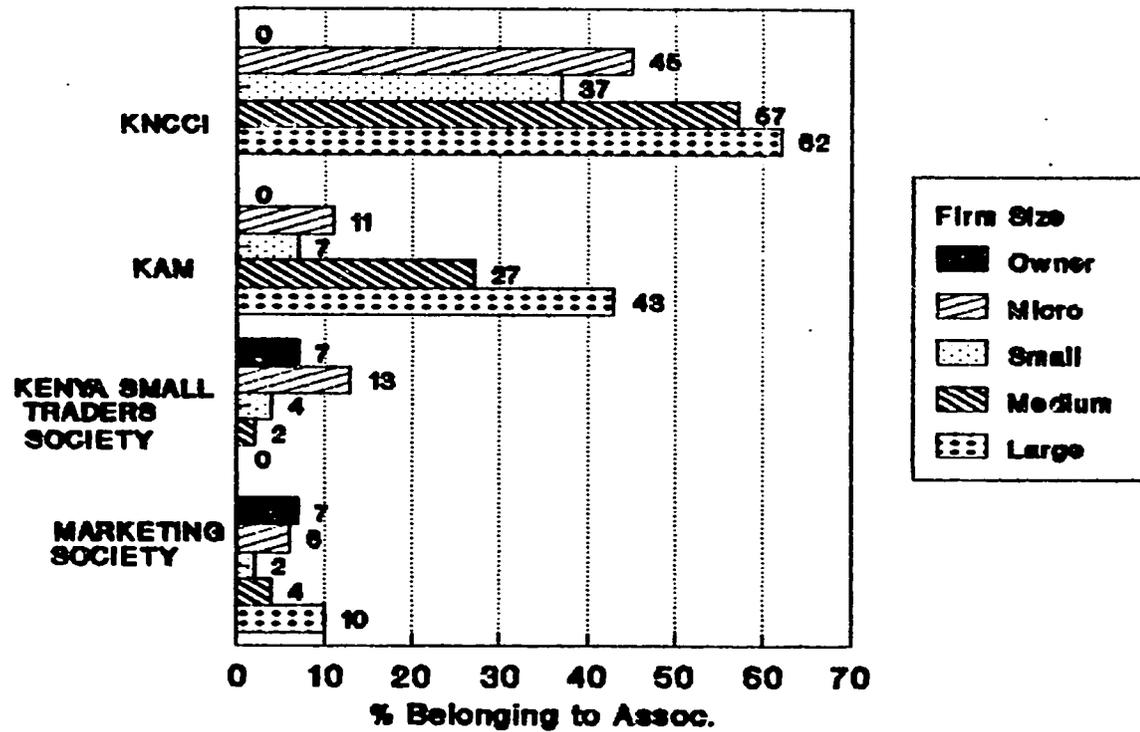


EXHIBIT 22

QUESTION 57

APPENDIX A

FREQUENCY DISTRIBUTIONS AND SURVEY QUESTIONNAIRE

KENYA PRIVATE SECTOR SURVEY

The purpose of the following survey is to gather information about the private sector in Kenya, the beliefs held by business persons on different aspects of doing business, and the general investment climate. This study is financed by the U.S. Agency for International Development (USAID). This information will assist USAID/Kenya in formulating its development strategy for the coming years. The information obtained here will be treated in a private and confidential manner. Nevertheless, questions deemed inappropriate do not have to be answered.

1. Questionnaire No. 1

Name of Interviewer:

Approved by:

2. Position of the respondent: 2

1. Owner	2. Manager	
3. Professional/Technical	4. Chairman	
5. Director	6. Other.....	

Date the interview was performed:..... (day/month/year)

3. Time the interview started: 3

SECTION 1: GENERAL INFORMATION OF THE FIRM

4. Location of the firm: 4

- | | | | |
|--------------------|-----------------------------|-------------------|--------------------|
| (71)
1. Nairobi | (16)
2. Mombasa | (7)
3. Kisumu | (1)
4. Nakuru |
| (63)
5. Thika | (1)
6. Malindi | (1)
7. Kisii | (1)
8. Nanyasha |
| (1)
9. Eldoret | (1)
10. Kakamega | (1)
11. Kitale | (1)
12. Meru |
| (1)
13. Embu | (1)
14. Other [specify]: | | |

u (average)

5. On average, how many people work here (fulltime and casual): 5

6. How many (or what percentage) of your employees:

	#	%
1. are women		22
2. are Kenyan African		87
3. require training		27
4. are members of your top management team (the company decision makers)		37

7. How many (or what percentage) of your employees who require training are

	#	%
1. women		11
2. Kenyan African		43

95

8. How many members (or what percentage) of your top management team are: # %
- | | | |
|-------------------|-------|----|
| 1. women | _____ | 19 |
| 2. Kenyan African | _____ | 62 |

9. What is the value of your fixed assets? 9

- | | |
|--|--|
| 1. Less than KSh 5,000 (17) | 2. KSh 5,001- KSh 10,000 (8) |
| 3. KSh 10,001 to KSh 100,000 (21) | 4. KSh 100,001 to KSh 500,000 (19) |
| 5. KSh 500,001 to KSh 5 million (21) | 6. KSh 5 million to KSh 25 million (7) |
| 7. KSh 25 million to KSh 100 million (4) | 8. Over KSh 100 million. (1) |

For interviewer's reference:

Land _____
 Buildings _____
 Equipment _____
 Vehicles _____
 TOTAL _____

10. What is the gender of the owner(s) or the majority shareholders of this firm?: 10

- | | | | |
|--------------|----------------|--|-------------------|
| 1. Male (74) | 2. Female (12) | 3. Equal proportion of shares held by male and female (11) | 4. Don't know (2) |
|--------------|----------------|--|-------------------|

11. In which sector(s) does your business operate?
 (mark ALL categories 1 = YES 0 = NO)

- | | | | | |
|--|------|----|--------------------------|---|
| 1. Agriculture production ¹ (go to no. 12) | (2) | 11 | <input type="checkbox"/> | 1 |
| 2. Processing of agricultural products ² (go to no. 13) | (2) | 11 | <input type="checkbox"/> | 2 |
| 3. Services ³ (go to no. 14) | (39) | 11 | <input type="checkbox"/> | 3 |
| 4. Manufacturing ⁴ (go to no. 15) | (17) | 11 | <input type="checkbox"/> | 4 |
| 5. Commerce (go to no. 16) | (37) | 11 | <input type="checkbox"/> | 5 |

NOTES

¹Agricultural production refers to fruit, timber, livestock production, for example

²Refers to the processing of livestock/meat products (including dairy), processed fruit and vegetables, cotton ginning, wood products, (e.g. charcoal, pulp), agricultural inputs (e.g. feed mill, fertilizer, seeds, implements).

³Refers to sales/repairs of vehicles, transportation, tourism, communications, for example

⁴Includes handicrafts, textiles, clothing, finished wood products, metal products, confectionery/baking, assembly, beverage and brewery products, for example.

12. In what MAIN AGRICULTURAL activity is your business involved? 12

- | | | | |
|------------------------------|---|-------------------------|---|
| 1. Cereals | 1 | 2. Fruit and vegetables | 3 |
| 3. Other horticultural crops | 1 | 4. Livestock | 4 |
| 5. Timber | 0 | 6. Aquaculture | 2 |
| 7. Fishing | 0 | 8. Flowers | 6 |
| 9. Other [specify]: | 3 | | |

(Go to NO. 17)

13. In what MAIN AGRICULTURAL PROCESSING activity is your business involved? 13

- | | | | |
|-------------------------------------|---|-------------------------|---|
| 1. Animal products (meat and dairy) | 4 | 2. Milling | 6 |
| 3. Processed fruit and canning | 0 | 4. Processed vegetables | 0 |
| 5. Hides and Skins | 0 | 6. Ginning | 0 |
| 7. Other [specify]: | 4 | | |

(Go to NO. 17)

14. In what MAIN SERVICE activity is your business involved? 14

- | | | | |
|-----------------------------------|----|-------------------------------------|-----|
| 1. Vehicle and Appliances Repairs | 52 | 2. Transportation | 13 |
| 3. Communications | 8 | 4. Tourism (hotels/travel agencies) | 32 |
| 5. Financial | 5 | 6. Other [specify]: | 180 |

(Go to NO. 17)

15. In what MAIN MANUFACTURING activity is your business involved? 15

- | | | | |
|----------------------------------|----|------------------------------|----|
| 1. Handicrafts | 7 | 2. Clothing | 28 |
| 3. Finished wood products | 27 | 4. Plastics | 2 |
| 5. Metal products | 28 | 6. Textiles | 9 |
| 7. Confectionery/baking | 8 | 8. Assembly | 3 |
| 9. Brewing and beverage products | 1 | 10. Machinery and equipment | 6 |
| 11. Paper and Paper products | 10 | 12. Leatherwork and footwear | 14 |
| 13. Chemical and pharmaceuticals | 11 | 14. Other [specify]: | 22 |

(Go to NO. 17)

16. In what MAIN COMMERCIAL activity is your business involved? 16

- | | | | |
|------------------------------|----|---------------------------|-----|
| 1. Wholesale | 27 | 2. Retail | 212 |
| 3. Both wholesale and retail | 99 | 4. Direct import | 2 |
| 5. Export | 3 | 6. Both import and export | 7 |
| 7. Other [specify]: | 24 | | |

17. What percentage of your direct sales go to:

- | | |
|----------------------|------------------------|
| 1. Domestic market | 2. EEC |
| 3. PTA | 4. Other Africa |
| 5. USA | 6. Middle East |
| 7. Japan | 8. Indian subcontinent |
| 9. Other Asian | 10. South America |
| 11. Other [specify]: | |

17	96	1
17	1.2	2
17	0.7	3
17	0.5	4
17	0.3	5
17	0.3	6
17	0.14	7
17	0.08	8
17	0.04	9
17	0.007	10

18. What percentage of your raw materials come from:

- | | |
|----------------------|------------------------|
| 1. Domestic market | 2. EEC |
| 3. PTA | 4. Other Africa |
| 5. USA | 6. Middle East |
| 7. Japan | 8. Indian subcontinent |
| 9. Other Asian | 10. South America |
| 11. Other [specify]: | |

18	85	1
18	7	2
18	0.6	3
18	0.3	4
18	0.8	5
18	0.3	6
18	2	7
18	1	8
18	1	9
18	0.2	10

19. What percentage of total issuer's shares are owned by Kenyan public institutions?

19

SECTION 2: FACTORS ACCOUNTING FOR BUSINESS PERFORMANCE

20. The business environment within which your firm operates today is:

20

- | | |
|-----------------------------------|------|
| 1. better than it was a year ago. | (37) |
| 2. worse than it was a year ago. | (34) |
| 3. the same as a year ago. | (29) |

21. How have the following factors affected the performance of your business over the last year? (mark ALL factors as follows: 1 = Up, 2 = No effect, 3 = Down 4 = Don't know/NA):

	<u>Positive</u>	<u>No eff.</u>	<u>Negative</u>		
1. Raw material prices	(10)	(34)	(56)	21	<input type="checkbox"/>
2. Raw material availability	(10)	(50)	(41)	21	<input type="checkbox"/>
3. Interest rates	(3)	(43)	(53)	21	<input type="checkbox"/>
4. Exchange rate	(7)	(40)	(53)	21	<input type="checkbox"/>
5. Taxes	(5)	(51)	(43)	21	<input type="checkbox"/>
6. Tax incentives	(3)	(35)	(62)	21	<input type="checkbox"/>
7. Output prices	(16)	(49)	(35)	21	<input type="checkbox"/>
8. Loan security requirements	(2)	(53)	(45)	21	<input type="checkbox"/>
9. Government pronouncements/actions	(40)	(58)	(30)	21	<input type="checkbox"/>

22. How has your sales volume changed over the last year?

22

- | | | | |
|-------------|--------------|-----------------|---------------|
| 1. Improved | 2. No change | 3. Deteriorated | 4. Don't know |
| (42) | (29) | (66) | (4) |

98

36. Have you had to pay very high salary and benefits packages to attract good technical personnel? 36 (28) (20) (40)
37. Have you had to pay very high salary and benefits packages to attract good managers? 37 (24) (27) (42)
38. Has the need to pay high salary and benefits packages to attract good workers hindered the growth of your business? 38 (17) (42) (39)
39. For the following categories, please specify how difficult it has been to obtain Kenyan Africans with the training/experience needed in your firm:

	Difficult	Easy	Don't know/NA		
1. Managers	1 (18)	2 (21)	3 (61)	39	<input type="checkbox"/> 1
2. Secretaries	1 (4)	2 (29)	3 (67)	39	<input type="checkbox"/> 2
3. Technical Personnel	1 (20)	2 (22)	3 (59)	39	<input type="checkbox"/> 3

40. Please provide an estimate of the percentage of your capital (long and short term) which comes from the following categories:

1 = Less than 25% 2 = 26-50%
 3 = 51 - 75% 4 = Greater than 76%

	1	2	3	4		
1. Local commercial banks (KCB, Barclays, Standard, etc.)	(75)	(9)	(4)	(11)	40	<input type="checkbox"/> 1
2. Merchant Banks	(98)	(1)	(43)	(62)	40	<input type="checkbox"/> 2
3. Development banks	(99)	(1)	(0)	(0)	40	<input type="checkbox"/> 3
4. Cooperative Societies	(99)	(0.7)	(0.4)	(0)	40	<input type="checkbox"/> 4
5. Other financial institutions	(98)	(1)	(1)	(1)	40	<input type="checkbox"/> 5
6. Foreign sources	(97)	(0.5)	(0.4)	(2)	40	<input type="checkbox"/> 6
7. Remittances from abroad	(97)	(0.2)	(0.0)	(0)	40	<input type="checkbox"/> 7
8. Family/friends	(87)	(7)	(1)	(5)	40	<input type="checkbox"/> 8
9. Personal	(33)	(9)	(4)	(54)	40	<input type="checkbox"/> 9
10. Other {specify}:					40	<input type="checkbox"/> 10

41. Do loan security requirements make it difficult for you to obtain financing? 41

1. Yes (46) 2. No (24) 3. Don't know/NA (30)

42. Is it easier for you to obtain short-term capital than it is to obtain long-term capital? 42

1. Yes (30) 2. No (10) 3. Neither (28) 4. Don't know/NA (32)

43. Has lack of capital caused you to give up? 43

1. many projects (32) 2. a few projects (26) 3. no projects (33)

44. Have you had difficulty obtaining the raw materials that you need to operate? 44

1. Yes (37)
 2. No (51)
 3. Don't know/NA (10)
 (if NO skip next question)

45. How important have the following factors been to your firm's ability to obtain all the inputs it needs? Mark ALL factors as follows:

	1 = Very Important	2 = Important	3 = Not Important	4 = Don't know/NA		
1. Availability of financing	(61)	(18)	(13)	(8)	45	<input type="checkbox"/> 1
2. Lack of cooperative buying	(13)	(8)	(40)	(39)	45	<input type="checkbox"/> 2
3. Availability of transportation	(18)	(21)	(39)	(22)	45	<input type="checkbox"/> 3
4. Cost of transportation	(18)	(20)	(42)	(20)	45	<input type="checkbox"/> 4
5. Import licensing controls	(38)	(8)	(14)	(40)	45	<input type="checkbox"/> 5
6. Scarcity of products	(45)	(24)	(17)	(14)	45	<input type="checkbox"/> 6
7. Availability or quality of packaging	(16)	(15)	(32)	(37)	45	<input type="checkbox"/> 7
8. Other [specify]:	(2)	(1)	(5)	(92)	45	<input type="checkbox"/> 8

46. Is reliable information on local market trends for your product available? 46

1. Yes (62)
 2. No (23)
 3. Don't know/NA (16)

47. Is reliable information on the international market for your product available? 47

1. Yes (17)
 2. No (13)
 3. Don't know/NA (70)

48. Which sources do you use to get information on the market for your product? (mark ALL sources 1 = Yes, 0 = No): (% yes)

1. The Ministry of Commerce	48	(9)	1
2. Kenya External Trade Authority	48	(7)	2
3. Kenya Tourist Development Corporation	48	(4)	3
4. Personal Contacts	48	(90)	4
5. Foreign Partners	48	(7)	5
6. The Kenya National Chamber of Commerce and Industry	48	(11)	6
7. Trade journals or newspapers	48	(33)	7
8. National Marketing Boards	48	(4)	8
9. Horticultural Crops Development Authority	48	(2)	9
10. Kenya Association of Manufacturers	48	(8)	10
11. Agricultural Society of Kenya	48	(5)	11
12. Cooperative Societies	48	(3)	12
13. Kenya Industrial Estates	48	(4)	13
14. Other [specify]:	48	(18)	14

49. Do you have access to appropriate production technology for your business? 49

1. Yes (45)
 2. No (15)
 3. Don't know/NA (39)

50. How important are the following factors as constraints to the growth of your business?

1 = Very Important
3 = Not Important

2 = Important
4 = Don't know/NA

	1	2	3	4			
1. Lack of air cargo space	(2)	(3)	(24)	(71)	50	<input type="checkbox"/>	1
2. Price of air cargo space	(6)	(4)	(20)	(71)	50	<input type="checkbox"/>	2
3. Lack of land transport facilities	(11)	(12)	(46)	(29)	50	<input type="checkbox"/>	3
4. Price of land transport facilities	(14)	(16)	(42)	(28)	50	<input type="checkbox"/>	4
5. Quality of a road network	(11)	(17)	(40)	(32)	50	<input type="checkbox"/>	5
6. Lack of road network	(6)	(11)	(41)	(42)	50	<input type="checkbox"/>	6
7. Price of other transport facilities	(6)	(8)	(35)	(51)	50	<input type="checkbox"/>	7
8. Lack of other transport facilities	(4)	(7)	(36)	(53)	50	<input type="checkbox"/>	6

SECTION 4: OPPORTUNITIES

51. If you had the resources, would you be interested in investing in the following areas to improve your current business operations?:

1. Yes 2. No 3. Don't know/NA

	1	2	3			
1. Personnel training and development	(63)	(24)	(12)	51	<input type="checkbox"/>	1
2. Improved production technology	(56)	(15)	(28)	51	<input type="checkbox"/>	2
3. Physical capital (plant improvement)	(37)	(18)	(45)	51	<input type="checkbox"/>	3
4. Improving my management capability	(70)	(19)	(11)	51	<input type="checkbox"/>	4
5. Marketing	(77)	(14)	(9)	51	<input type="checkbox"/>	5
6. Forward planning	(68)	(17)	(15)	51	<input type="checkbox"/>	6
7. Procurement	(58)	(21)	(21)	51	<input type="checkbox"/>	7
8. Stock control	(63)	(21)	(15)	51	<input type="checkbox"/>	8
9. Financial systems	(62)	(21)	(17)	51	<input type="checkbox"/>	9
10. Other [specify]	(3)	(18)	(79)	51	<input type="checkbox"/>	10

52. Do you have a specific plan to invest in any of the following areas?

1. Yes 2. No 3. Don't know/NA

	1	2	3			
1. Personnel training and development	(24)	(62)	(14)	52	<input type="checkbox"/>	1
2. Improved production technology	(24)	(52)	(24)	52	<input type="checkbox"/>	2
3. Physical capital (plant improvement)	(31)	(57)	(11)	52	<input type="checkbox"/>	3
4. Improving my management capability	(25)	(62)	(13)	52	<input type="checkbox"/>	4
5. Marketing	(35)	(54)	(11)	52	<input type="checkbox"/>	5
6. Forward planning	(28)	(57)	(15)	52	<input type="checkbox"/>	6
7. Procurement	(20)	(58)	(22)	52	<input type="checkbox"/>	7
8. Stock control	(24)	(60)	(15)	52	<input type="checkbox"/>	8
9. Financial systems	(0)	(22)	(78)	52	<input type="checkbox"/>	9
10. Other [specify]	(2)	(25)	(73)	52	<input type="checkbox"/>	10

53. Which ONE of the following areas do you believe offers the best return on investment? 53

- 1. Fresh or processed agricultural production for domestic market* (7)
- 2. Fresh or processed agricultural production for export market (7)
- 3. Agroindustry for domestic market* (2)
- 4. Agroindustry for export (1)
- 5. Manufacturing for export (9)
- 6. Manufacturing for domestic market* (12)
- 7. Construction* (7)
- 8. Tourism* (16)
- 9. Commerce and trade* (26)
- 10. Other services [specify]:* (2)
- 11. Other [specify]:* (3)

[IF ANSWERED QUESTION WITH (*) SKIP NEXT QUESTION]

54. Which market do you believe would be most profitable? 54

- 1. Domestic market (13)
- 2. EEC (37)
- 3. PTA (22)
- 4. Other African countries (10)
- 5. USA (7)
- 6. Middle East (6)
- 7. Japan (3)
- 8. Indian subcontinent (0)
- 9. Other Asian (2)
- 10. South America (6)
- 11. Other foreign [specify]: (1)

SECTION 5: ASSOCIATIONS

% Yes

55. Do you belong to any type of business or trade association? (mark 1 = Yes, 0 = No) 55 39

[if YES, skip next question]

56. Specify which one BEST describes why you do not belong to an association: 56

- 1. No association provides services I find useful. (22)
- 2. I am unwilling to pay membership dues. (1)
- 3. I am not able to pay membership dues. (9)
- 4. Membership restrictions (1)
- 5. Other restrictions (1)
- 6. Not aware of any appropriate associations (46)
- 7. Other [specify]: (20)

(Skip next question)

57. Please specify which associations you belong to and rate how effective they have been in representing your business interests:

1 = Very effective
3 = Not Effective

2 = Effective
4 = Don't know/NA

	1	2	3	4		
1. The Kenya National Chamber of Commerce and Industry	(1)	(22)	(16)	(51)	57	<input type="checkbox"/>
2. The Kenya Association of Manufacturers	(5)	(12)	(9)	(76)	57	<input type="checkbox"/>
3. Kenya Small Traders Society	(10)	(3)	(2)	(85)	57	<input type="checkbox"/>
4. Kenya Business and Professional Women's Club	(6)	(1)	(1)	(92)	57	<input type="checkbox"/>
5. Agricultural and/or Commodity Associations	(1)	(2)	(1)	(97)	57	<input type="checkbox"/>
6. Kenya Associations of Tour Operators	(0)	(2)	(1)	(97)	57	<input type="checkbox"/>
7. Kenya Association of Hoteliers and Caterers	(1)	(0)	(2)	(96)	57	<input type="checkbox"/>
8. Marketing Society of Kenya	(2)	(2)	(2)	(94)	57	<input type="checkbox"/>
9. Kanu Maendeleo ya Wanawake	(0)	(0)	(1)	(99)	57	<input type="checkbox"/>
10. Kenya Industrial Estates	(2)	(0)	(1)	(97)	57	<input type="checkbox"/>
11. Other [Specify]:	(14)	(11)	(10)	(65)	57	<input type="checkbox"/>

58. Which of the following services would you want a business or trade association to offer (or increase)?

1 = Very interested
3 = Not interested

2 = Interested
4 = Don't know/NA

	1	2	3	4		
1. Access to credit	(63)	(15)	(16)	(6)	58	<input type="checkbox"/>
2. Technical assistance	(30)	(22)	(28)	(20)	58	<input type="checkbox"/>
3. Personnel training services	(31)	(24)	(31)	(14)	58	<input type="checkbox"/>
4. Contact with Government	(31)	(27)	(27)	(15)	58	<input type="checkbox"/>
5. Feasibility studies	(29)	(21)	(30)	(20)	58	<input type="checkbox"/>
6. Market information	(51)	(26)	(15)	(8)	58	<input type="checkbox"/>
7. Other [Specify]:	(4)	(1)	(2)	(87)	58	<input type="checkbox"/>

59. What percentage of the owners or the shareholders are:

u (average)

1. Foreign (non-Kenyan)	59	7	1
2. Kenyan African	59	60	2
3. Other [Specify]	59	33	3

60. Do you employ less than 10 people in your firm? (Mark 1 = Yes, 0 = No)

60

[If NO, the survey ends here]

61. Have you had trouble borrowing to expand your business or start a new business in the past year?

61

1. Yes (37) 2. No (31) 3. Don't know/NA (28)

[If No or don't know skip next question]

105

62. Why do you find it difficult to get a loan?

62

- 1. Do not know how to apply (7)
- 2. Do not know where to go (6)
- 3. I do not have enough/any loan security (64)
- 4. Banks are too far away (6)
- 5. Banks are too impersonal (5)
- 6. I am not a member of a cooperative or credit union (6)
- 7. Other [specify]: (8)

63. What percentage of your product do you sell to:

u (average)

- 1. Retail customers
- 2. Other small firms
- 3. Government agencies
- 4. Parastatals
- 5. Large private firms
- 6. Export market
- 7. Other [specify]

63	87	1
63	6	2
63	1	3
63	1	4
63	3	5
63	1	6
63	1	7

64. What percentage of your raw materials do you buy from:

- 1. Parastatals
- 2. Farmers
- 3. Other small firms
- 4. Larger private firms
- 5. Direct import
- 6. Other [specify]:

64	3	1
64	5	2
64	95	3
64	32	4
64	6	5
64	8	6

65. Time at completion of interview

65

66. If respondent would like a copy of survey results please give:

NAME _____
 P.O.BOX _____
 TOWN _____
 TELEPHONE _____

SURVEY ENDS HERE AND THANK YOU FOR YOUR COOPERATION

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APPENDIX B

TERMS OF REFERENCE FOR THE SURVEY OF THE PRIVATE SECTOR

**CONTRACT FOR THE SURVEY OF THE
PRIVATE SECTOR IN KENYA
TO BE PERFORMED BY AMT MANAGEMENT CONSULTANTS
FOR J.E. AUSTIN ASSOCIATES**

1. AMT Management Consultants (herein referred to as "the Contractor") will undertake a survey of businesses which will provide unbiased, statistically significant information on the perceptions of local entrepreneurs regarding opportunities and constraints for private sector development in Kenya.
2. The survey undertaken by the Contractor will cover private sector firms in the following industry sectors:
 - a. Commercial Agriculture, focusing on non-traditional crops for export such as fresh horticultural crops (including pineapples, mangoes, avocados, peppers, mushrooms, green beans, eggplants, cut flowers), and other non-traditional commercial agricultural activity.
 - b. Aquaculture and fishing -- including freshwater and marine fish and shellfish.
 - c. Agro-processing: includes canned fruit and vegetables, hides and skins, textiles, sugar and products, cotton and wool, sugar products, meat and dairy, other.
 - d. Tourism (hotels, restaurants, lodges).
 - e. Other Services: principally transport services and services of relevance to agriculture (seed processing, agricultural machinery, fertilizer).
 - f. Manufacturing
3. The survey will exclude all firms (private, profit or not-for-profit, and public) in the social services sector (health, education, etc.).
4. The survey instrument will be developed by the MAPS team in consultation with the USAID Mission.

5. The Contractor will help re-word the survey instrument so that it may be used to survey small scale enterprises (see paragraph 8 below). It will also be responsible for translating the survey instrument if needed.
6. The Contractor will be responsible for testing the survey instrument on a small number of businesses chosen at random prior to full implementation to insure that the questions are understandable to the interviewees. The Contractor will work with the J.E. Austin Associates Project Monitor and the USAID/Kenya Mission to revise the survey instrument on the basis of the results from the field test.
7. The sampling frame of firms will need to be as complete as possible to prevent biasing the sample. The contractor will identify appropriate sampling frames for this task, in consultation with the MAPS project monitor and the USAID Mission. The sample will be limited to the major towns (and their surrounding areas) of Nairobi, Mombasa, Kisumu, and Nakuru and four secondary towns where there is a concentration of the industries identified in point 2 above. These will be: Thika, Malindi, Eldoret/Kitale/Kisii, Kakamega,, Naivasha. In addition, small scale rural-based enterprises operating outside these centers will be included, insofar as they appear in the registries of organizations providing assistance to these enterprises (see point 7 below).
8. The sample size is expected to be approximately 500 firms; 250 of these should be small scale enterprises (SSE's), which for the purposes of this contract are defined as firms employing less than 50 persons and with less than KSh 10 mn in fixed capital assets operating in the sectors identified in paragraph 2 above.
9. The sampling frame for the SSE's will be established on the basis of the registries of cooperatives, NGO's, and other organizations (KIE) providing credit and/or technical assistance to SSE's in the cities and towns specified above. The sampling frame for the larger enterprises will depend on the availability and adequacy of comprehensive lists. The lists used by the GOK to undertake its annual survey of industries may be a possible source. Other sources include the registries of business associations such as the Kenya Association of Manufacturers, the Kenya National Chamber of Commerce and Industry. The Contractor will propose a strategy for constructing a sampling frame and drawing the sample so it meets the requirements regarding sample composition specified in paragraphs 1 through 8.

10. The sample will be drawn using stratified random sampling. It may be necessary to stratify the sample to insure that there are at least 30 firms sampled in the key sectors of interest defined in point 2 above.
11. The contractor will assemble a team of personnel experienced in survey work to implement the survey. The contractor will be in charge of recruiting and training the interviewers, testing the survey instrument, overseeing the survey at the field level to insure quality control, and codifying the survey responses to facilitate data entry and analysis.
12. The contractor will assemble a team to enter the codified responses into a database processing system which can be imported into a statistical package adequate to analyze the responses, such as SPSS.
13. The output expected from the data processing will include the following:
 - a. Frequency distributions of responses to all the questions in the survey instrument.
 - b. Cross tabulations of specific responses using as control variables firm characteristics. The control variables used for the cross tabulations will include at a minimum: sector in which the firm operates, size (employee), ownership characteristics (owner gender and ethnic origin).
 - c. Non-parametric tests to measure the statistical significance of relationships between categorical variables (such as the chi-square) for specific cross-tabulations.
14. The Contractor will be responsible for producing high quality graphics to illustrate key survey results. The MAPS project monitor, in consultation with the USAID Mission, will specify a list of the graphics needed after analyzing the output described above. The final product expected will include the diskette with the data entered from the survey and approximately 15 to 20 graphics.