

IDENTIFICATION DATA

A. Reporting A.I.D. Unit: Mission or AID/W Office: <u>USATD/Kenya/ABEO</u> IES# _____	B. Was Evaluation Scheduled in Current FY Annual Evaluation Plan? Yes <input checked="" type="checkbox"/> Skipped <input type="checkbox"/> Ad Hoc <input type="checkbox"/> Evaluation Plan Submission Date: FY <u>96</u> Q <u>01</u>	C. Evaluation Timing: Interim <input checked="" type="checkbox"/> Final <input type="checkbox"/> Ex Post <input type="checkbox"/> Other <input type="checkbox"/>
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D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated. If not applicable, list the end date of the evaluation report.)

Project No.	Project/Program Title	First PROAG or Equivalent (FY)	Most Recent PACG (Mo/Yr)	Planned LOP Cost (000)	Amount Completed to Date (000)
615-0249	Kenya Export Development Support (KEDS)	91	12/98	\$15 M	8,928

ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director	Name of Officer Responsible for Action	Date Action to be Completed
Action(s) Required		
1) Replenish the Export Development Fund (EDF) by at least \$1.5 million to allow for expansion and deepening of export promotion technical services in the Kenyan private sector.	MKinemia	02/28/96
2) Build institutional capacities for the Kenya Association of Manufacturers (KAM) and Fresh Produce Exporters Association of Kenya (FPEAK) to provide export related technical services.	MKinemia	12/31/98
3) Refocus the Public Sector Component toward building capacity in the trade associations to advocate for policy and regulatory reforms affecting the trade environment in Kenya.	MKinemia	02/28/96
4) Execute Cooperative Agreements and/or Grants with KAM and FPEAK to build their institutional capacities and to implement the firm-level export development activities.	EDonovan	01/31/96
5) Extend DAI Contract by five months (March 2 - July 31, 1996) in order to facilitate the institutionalization interface with KAM and FPEAK technical staff.	EDonovan	02/28/96

(Attach extra sheets if necessary.)

APPROVALS

F. Date Of Mission Or AID/W Office Review Of Evaluation: (Month) 06 (Day) 15 (Year) 95

G. Approvals of Evaluation Summary And Action Decisions:

	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
Name (Typed)	Migwe Kinemia	Paul Guenette	Stephen Ndele	Kiertisak Toh
Signature				
Date	12/14/95	12/14/95	12/14/95	12/15/95

The purpose of the Kenya Export Development Support (KEDS) Project, which is being implemented by Development Alternatives, Inc. (DAI), is to increase non-traditional exports, i.e. all exports except coffee, tea and petroleum products. The Project has three main activities which support:

- Private firms through an Export Development Fund (EDF).
- Trade associations.
- Trade policy reforms through the public sector.

The mid-term evaluation was carried out by Price Waterhouse from April 24 - May 12, 1995. The purpose of the evaluation was to:

- Provide an independent assessment of attainment of project goals and objectives.
- Determine adjustments in project activities for greatest impact during the remaining life of the project.
- Identify problems and suggest modifications to ensure maximum impact and sustainability of project interventions.
- Determine whether or not to implement the project beyond March 1, 1996, when DAI contract expires.
- Provide an objective appraisal of DAI contract performance.

The major findings and conclusions are:

- There is still a great deal of work to be done in developing sustainable non-traditional exports in Kenya.
- The Export Development Fund (EDF) is the cornerstone of the KEDS' Firm-level Assistance component. EDF's cost-sharing mechanism is considered to be a development instrument in the area of export promotion and has a proven and verifiable success. A replenishment of EDF by at least \$1.5 million is therefore necessary in order to have significant impact, and to stimulate and deepen the export development efforts in Kenya.
- The horticultural sub-sector in Kenya, especially small and medium scale growers, are facing a crisis in maintaining a presence in the key markets of the European Union due to tightening of quality assurance and health regulations. USAID, through the KEDS project, should therefore consider enhancing resources to the horticultural sub-sector, possibly through the cost-sharing of feasibility studies for the establishment of pilot commercially-oriented, "outgrower schemes".
- Trade and business associations in Kenya are largely in an embryonic state and they do not have the necessary business services, activities, financing, membership participation, leadership or staff. A program of professional training in association management and leadership for both executive staff and voluntary leaders in trade and business associations should therefore, be considered. KEDS should also assist private sector trade and business associations to develop practical business related services to secure the continuing participation of voluntary members.
- The primary policy reform goals of the project have been achieved. The remaining gaps in policy reforms deal with economy-wide policies: investment incentives; regional markets; and exchange rate management. Further USAID support in this area should be directed toward building capacity in the voluntary business and trade associations to advocate for changes in policies and regulations affecting the business community in the export sector.

C O S T S

1. Evaluation Costs

1. Evaluation Team		Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. \$)	Source of Funds
Name	Affiliation			
1. Denis Gallagher	Price Waterhouse	Contract No. 623-510-I-00- 4113-00	\$77,034	KEDS Project (615-0249)
2. James Low	Price Waterhouse			
3. Njuguna Ndung'u	Price Waterhouse			
4. Barbara Steenstrup	Price Waterhouse			
5. Andrew Hollas	Price Waterhouse			

2. Mission/Office Professional Staff
 Person-Days (Estimate) 15

3. Borrower/Grantee Professional
 Staff Person-Days (Estimate) 10

SUMMARY

J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided):

Address the following items:

- Purpose of evaluation and methodology used
- Purpose of activity(ies) evaluated
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lessons learned

Mission or Office:

USAID/Kenya

Date This Summary Prepared:

10/20/95

Title And Date Of Full Evaluation Report:

Report of the KEDS Mid-term Evaluation
August 1, 1995

I PURPOSE OF EVALUATION AND METHODOLOGY USED

The purpose of the KEDS mid-term evaluation was to:

- Provide USAID/Kenya with an independent assessment regarding the degree to which the KEDS Project has met its goals and objectives as stipulated in the Project Paper (PP).
- Assist the Mission in determining what adjustments should be made in project activities in order to have the greatest impact during the remaining implementation period.
- Identify problems and suggest modifications to the project to ensure maximum impact and sustainability of project interventions.
- Provide the Mission with an objective appraisal of DAI contract performance as per the terms and conditions of the contract.
- Assist the Mission in determining whether additional funding should be provided for DAI contract extension beyond the current expiry date of March 1, 1996 or to terminate the contract as scheduled.

The evaluation team had extensive experience in the export development sector in Kenya. The main focus of the evaluation was to assist USAID/Kenya in determining what adjustments should be made in the remaining implementation period to ensure maximum impact and sustainability of project interventions. Interviews were carried out with officials from the Government of Kenya (GOK) and USAID, DAI technical advisors, other donor agencies supporting the export sector, trade association leaders and executives, and key exporters. Extensive use was made of background and reference material. The evaluation team presented its findings and recommendations to the senior management of USAID/Kenya on May 12, 1995.

II PURPOSE OF ACTIVITIES EVALUATED

The purpose of the KEDS project is to increase non-traditional exports. KEDS' goal is to increase employment and foreign exchange earnings in Kenya on a sustainable basis. The project has two main components: (1) Firm-level Assistance Component; and (2) Public Sector Component.

The Firm-level Assistance component was designed to provide assistance to non-traditional exporting firms directly, and through private sector trade associations [Kenya Association of Manufacturers (KAM) and Fresh Produce Exporters Association of Kenya (FPEAK)] and a public sector entity [Horticultural Crops Development Authority (HCDA)] in order to identify viable export markets, produce internationally competitive products, promote and sell products in established and new markets, obtain information on changing markets, and to expand export production. The Export Development Fund (EDF) provides exporting firms with technical assistance on a cost-sharing basis in order to encourage them to take additional risks in the export marketing business.

The Public Sector component was designed to provide assistance to the Export Promotion Programmes Office (EPPO) in the Ministry of Finance in order to assist the Government of Kenya (GOK) in its efforts to improve the enabling environment for exports, to enhance dialogue with the private sector and to promote non-traditional exports.

III FINDINGS AND CONCLUSIONS

FIRM-LEVEL ASSISTANCE COMPONENT:

A. Export Development Fund (EDF)

Key Findings:

- The EDF program has performed satisfactorily and has exceeded all contractual obligations and targets.
- A survey of a cross section of entrepreneurs that have received EDF assistance, have expressed strong satisfaction with the risk-sharing support in their new venture of export development activities.

- The horticultural sub-sector, especially small and medium scale growers, are facing a crisis in maintaining a presence in the key markets of the European Union (EU) due to tightening of quality assurance and health regulations.
- Exports to the EU have declined while exports to the countries of the Common Market of Eastern and Southern Africa (COMESA) region have increased dramatically.

Conclusions:

- EDF's cost-sharing mechanism is considered to be instrumental in promoting non-traditional exports in Kenya and the program remains the cornerstone of KEDS' firm-level assistance.
- Tightened regulatory controls and quality requirements may force small and medium scale horticultural growers and exporters out of the European Union (EU) markets.

B. Trade Associations Support

Key findings:

- KEDS met or exceeded the initial objectives relating to strengthening trade associations but a great deal of work remains to be done in order to build strong associations.
- The trade associations in Kenya are not mature and they do not have the necessary services, activities, financing, membership participation, leadership or staff.
- The trade associations under KEDS, (KAM and FPEAK) need further institutional support to provide export-related technical services, in addition to lobbying for policy and regulatory changes.
- The ability to support trade shows and exhibitions need improvement, especially post trade show follow-ups because this is a very sophisticated business activity.
- FPEAK is constrained by lack of financial resources to maintain the secretariat staff and it will need at least three years to assume this financial responsibility independently.

Conclusions:

- A training and orientation program for trade associations to prepare participation in international exhibits and trade shows is needed.
- The trade associations under KEDS (KAM and FPEAK), and others that may be considered in the future need management, leadership and financial assistance in order to enhance their institutional capacities.

PUBLIC SECTOR COMPONENT:

Key findings:

- The original macro-economic policy goals and objectives of KEDS, as outlined in the Project Paper (PP) of June 1991, have largely been achieved or overtaken by policy changes of both the GOK and USAID.
- The export policy reform targets were generally fulfilled, primarily because of IMF/World Bank implemented policies.
- KEDS initiated or supported policy and sectoral studies have been effective in advocating for policy reforms.
- KEDS' policy related seminars and workshops were effective in enhancing private/public sector dialogue.
- The Export Promotion Programmes Office (EPPO) was not used as a trade policy analysis unit by the Ministry of Finance as planned for under the KEDS project.
- Capacity building and institutional development of EPPO was not effective because the institution was utilized for different purposes than originally planned.
- The KEDS Advisory Committee (KAC) was not very effective because it met only twice a year and its members had too many other responsibilities.
- The remaining gaps in policy reforms deal with economy wide policies: investment incentives; regional markets; and exchange rate management.

Conclusions:

- Changes in Government of Kenya (GOK) policies and strategies entail a refocus of the KEDS' Public Sector Component.
- Training EPPO staff is no longer a priority because after four years of KEDS' support, the staffing level is still inadequate.
- Since KEDS' policy reform goals have largely been achieved, further USAID support in this area should be directed toward building capacity in the voluntary business and trade associations to advocate for the remaining gaps in policy and regulations affecting the business community in the export sector.

INSTITUTIONAL CONTRACTOR (DAI) AND USAID PERFORMANCE**Findings and Conclusions:**

- DAI and USAID have performed to or above the standards required but there is still a great deal of work to be done in developing sustainable non-traditional exports in Kenya.
- Business skills to enhance the sustainability of association services may not be readily available under the DAI contract.
- Changes in the economic environment in Kenya since the inception of the project require substantial amendments in focus if the project is to be implemented beyond 1996.

IV PRINCIPAL RECOMMENDATIONS**FIRM-LEVEL ASSISTANCE COMPONENT:****A. Export Development Fund (EDF):**

- Since the original EDF budget has now been exhausted, USAID should consider a major replenishment of at least US\$1.5 million to allow for expansion and deepening of the catalytic technical and financial support to private enterprise export development efforts in Kenya.
- USAID, through the KEDS project, should consider enhancing resources to the horticultural sub-sector possibly through the cost-sharing of feasibility studies for the establishment of pilot, commercially-oriented "outgrower schemes".

B. Trade Associations Support

- KEDS should provide pre-trade fair training and post-trade fair follow-ups for trade associations staff and exporters.
- The Kenya Association of Manufacturers (KAM) needs staff training and or consultancy services to improve the quality of reports to the Government of Kenya (GOK) policy makers.
- Training of staff and volunteer leaders of KAM and FPEAK should be instituted.
- The trade associations under KEDS (KAM and FPEAK) and others that may be considered in the future need management, leadership and financial assistance.

Public Sector Component:

- The KEDS project should strengthen the capabilities of the Export Promotion Council (EPC) and trade associations, especially KAM, to initiate policy studies, seminars and workshops.
- Capacity building in the form of training should be directed at EPC as a semi-autonomous organization aligned to the Ministry of Commerce and Industry.
- The KEDS Advisory Committee should be transferred to EPC and should meet often and regularly to monitor effectively the remaining life of the project.
- The remaining gaps in policy reforms involve economy-wide policies, such as investment incentives, regional market integration and exchange rate management. KEDS' future policy advisory interventions should be short-term in nature through the EPC and trade-associations [(KAM, Federation of Kenya Employers (FKE), and Fresh Produce Exporters Association of Kenya (FPEAK)] in order to develop strong organizations that can influence policy implementation more effectively.
- The remaining mandate of the original KEDS project in the public sector component is training EPPO staff. This should be refocused toward building capacity in EPC which solely deals with export promotion activities. Training should be in-country, short-term in nature and focused. Where necessary, overseas short-term training could be undertaken. The training activities (policy analysis) should also target trade associations such as KAM.
- Since policy implementation was not the original goal of KEDS' public sector component, KEDS' advisory role at EPPO is thus redundant.

V. LESSONS LEARNED**(a) Export Development Fund:**

- As the results of KEDS/EDF I and a similar World Bank funded project (Kenya Exporter Assistance Scheme) have shown, a cost-sharing mechanism is a development instrument with a proven and verifiable success in the area of export promotion. To have a significant effect, however, any replenishment of the KEDS/EDF II should at least be in the magnitude of US\$1.5 million.
- The long-term sustainability of the firm-level assistance rests with the Kenyan private sector exporting firms' access to export related technical services through the market mechanism.
- The role of private sector trade and business associations would be to act as a conduit for their membership to gain access to the market for export promotion services.
- To foster the sustainability of export promotion technical services through the market mechanism, KEDS should assist KAM and FPEAK in the establishment of a professional consultants data bank within their respective secretariats.

- The evaluation team finds the current measurement system for EDF impact on employment and foreign exchange growth to beneficiaries to be inappropriate. While it remains important to track employment growth, it is not necessarily an indicator of success in export development from the perspective of the firm. Export promotion activities are intended to increase the competitive advantage of the firm's products or services in the international marketplace. The key objective of the firm is to increase market penetration and export earnings. The impact on employment creation arises as a secondary result and any growth in employment at the firm-level is determined by the management when assessing the relative cost of labor and capital in the cost/value added ratio. On the other hand, the key objective for most investment promotion programs is to attract firm-level investment in order to create employment while the issue of export orientation is of secondary importance. One of the ways in which the KEDS project could have a potentially positive impact on employment is to assist horticultural "Out-grower Schemes" so that they can be attractive to large scale producers and exporters.
 - The current target of 10% per annum growth in export earnings may, depending on the size of the firm, be either over ambitious or far too modest. A more appropriate indicator for success in a potential KEDS/EDF II would be the Return on EDF Grant Investment ratio of 20:1 for each EDF dollar invested. (Please note that this suggestion is only marginally higher than the current EDF Grant Investment ratio of 17:1 and reflects the restrictions barring USAID support to certain sectors (garments, footwear, export processing zones and the focus on small and medium scale firms). If KEDS/EDF II were operating with no restrictions on sector, size, ownership, gender or ethnic bias, then a 30:1 Return on EDF Grant investment ratio should apply.
- (b) Trade Associations Support:**
- The trade associations in Kenya are, in almost all cases, in an embryonic state. Building associations entails the following steps: the first step is having a dedicated voluntary and staff leadership to determine what the industry needs and design a program of services and deliver; the second step involves designing fund-raising strategies; and the third step involves recruiting and training a competent management staff to run the association secretariat.
 - Not only are associations created and encouraged in a democratic society, they are also vital to the proper functioning of the government. Only through the unified voice of interest groups, such as trade associations can a government receive the necessary information on how to govern better.
- (c) Trade Policy Reforms:**
- Policy advisors can only be effective in a government hierarchy if they are very highly placed to influence policy makers.
 - The long-term sustainability of trade policy reforms lies in the capacity of the Kenyan private sector trade associations to lobby for policy and regulatory changes and to engage the government in an informed dialogue.

ATTACHMENTS

K. Attachments (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier. ATTACH STUDIES, SURVEYS, ETC. FROM FORGOING EVALUATION, IF RELEVANT TO THE EVALUATION REPORT.)

Final Evaluation Report

COMMENTS

L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report

USAID/KENYA COMMENTS:

The Mission strongly believes that the institutionalization of DAI technical services within Kenyan trade associations would significantly contribute toward long-term sustainability of export promotion services under the KEDS Project. The Mission agrees with the major conclusions and recommendations in the evaluation report. In particular, the Mission agrees that:

- (i) A major replenishment of the Export Development Fund (EDF) would significantly contribute toward expanding and deepening export promotion services in the Kenyan private sector and that the establishment of a Professional Consultants Data Bank through KAM and FPEAK would foster the sustainability of export related technical services via the market mechanism;
- (ii) KEDS should support a program of professional training in association management and leadership for both executive staff and voluntary leaders of KAM and FPEAK in order to enhance their capacities to provide export related services and to secure the continuing participation of voluntary members; and
- (iii) Since trade policy reforms have largely been implemented, future support in this area should be directed toward building capacity in the voluntary business and trade associations to advocate for the remaining gaps in policy and regulatory reforms affecting the business community in the export sector.

COMMENTS BY INSTITUTIONAL CONTRACTOR (DAI):

- i) The Contractor particularly agrees with the findings that "The EDF program has performed satisfactorily and has exceeded all contractual obligations and targets;" that "KEDS has also met or exceeded all goals and objectives in providing support and assistance to the key business associations in Kenya;" and that "The primary policy reform goals of USAID initiated through the KEDS project have been achieved."
- ii) The evaluation report cites the need to replenish the EDF as a means of expanding effective export support services in Kenya; the report also cites the fact that private associations are still young and maturing, that they need continued support for several more years in order to become strong and independent. The proposed direct Cooperative Agreements and/or Grants with KAM and FPEAK will offer this support. However, the transition to these agreements will be seriously jeopardized if the Procurement Office is unable to effect the called-for no-cost contract extension.
- iii) There is an unsubstantiated and incorrect entry on page 5, under *Findings and Conclusions* which reads "Business skills to enhance the sustainability of association services may not be readily available under the DAI contract." This "conclusion" is not substantiated anywhere in the full evaluation report, nor is it related to any of the Key Findings and Conclusions under *B - Trade Associations* on Page 4. In fact, a complete array of business skills are available under the DAI contract.

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Services to
USAID



Price Waterhouse



**REPORT OF THE KEDS MID-TERM EVALUATION
DELIVERY ORDER NO 1
CONTRACT NO 623-0 150-I-00-4113-00
IQC PRIVATE SECTOR DEVELOPMENT SERVICES IN KENYA**

August 1 1995

**Price Waterhouse
Nairobi, Kenya
Tel: 254-2-221244
Fax: 254-2-335937**



August 1 1995

USAID/REDSO/ESA
Private Enterprise Office
USAID
Parklands

Attention: Migwe Kimemia

Dear Migwe

**DELIVERY ORDER NO 1, CONTRACT NO 623-0 150-I-00-4113-00
KEDS MID-TERM EVALUATION**

In accordance with your comments of July 28, 1995, I am pleased to forward the final report of the KEDS Mid-term Evaluation.

If you have any queries, please contact Barbara Robin Steenstrup or me on telephone number 221244.

We are looking forward to cooperating with you on future assignments.

Sincerely

WA Hollas

**REPORT OF THE KEDS MID-TERM EVALUATION
DELIVERY ORDER NO 1
CONTRACT NO 623-0150-I-00-4113-00
IQC PRIVATE SECTOR DEVELOPMENT SERVICES IN KENYA**

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**REPORT OF THE KEDS MID-TERM EVALUATION
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IQC PRIVATE SECTOR DEVELOPMENT SERVICES IN KENYA**

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LIST OF ABBREVIATIONS AND ACRONYMS

API	-	Assessment of Program Impact
CBI	-	Cross Border Initiative
CBK	-	Central Bank of Kenya
CDC	-	Commonwealth Development Corporation
COMESA	-	Common Markets of Eastern and Southern Africa
DEG	-	German Investments and Development Company
DVR	-	Duty, Value Added Tax Remission
ECS	-	Export Compensation Scheme
EDF	-	Export Development Fund
EPC	-	Export Promotion Council
EPZA	-	Export Processing Zones Authority
EPPO	-	Export Promotion Programmes Office
FKE	-	Federation of Kenya Employers
FMA	-	Fiscal and Monetary Affairs
F-PEAK	-	Fresh Produce Exporters Association of Kenya
GoK	-	Government of Kenya
HCDA	-	Horticultural Crops Development Authority
ICDC	-	Industrial Commercial and Development Corporation
IMF	-	International Monetary Fund
IFC	-	International Finance Corporation
IPC	-	Investment Promotion Center
KAM	-	Kenya Association of Manufacturers
KAC	-	KEDS Advisory Committee
KEAS	-	Kenya Exporter Assistance Scheme
KEDS	-	Kenya Export Development Support
KRA	-	Kenya Revenue Authority
KETA	-	Kenya External Trade Authority
MoF	-	Ministry of Finance
MUB	-	Manufacturing under Bond
NTE	-	Non-Traditional Exports
ODA	-	Overseas Development Administration
OECD	-	Organization for Economic Cooperation and Development
PEMU	-	Private Enterprise Management Unit
PFP	-	Policy Framework Paper
PP	-	Project Paper
PTA	-	Preferential Trade Area
SADC	-	Southern Africa Development Cooperation
USAID	-	United States Agency for International Development
VAT	-	Value Added Tax

EXECUTIVE SUMMARY

The original purpose (minus the EPZ component) of the Kenya Export Development Support (KEDS) project as stated in the Project Paper (PP) of June 1991, has largely been achieved or overtaken by policy changes of both the Government of Kenya and USAID.

The Export Development Fund (EDF) component of KEDS has performed satisfactorily and has exceeded all contractual obligations and targets.

A survey of a cross-section of private sector enterprises that have received assistance from the KEDS/EDF, have expressed strong satisfaction with this risk sharing support in their new venture export development activities from USAID.

KEDS/EDF has now been exhausted, and consideration should be given to a major replenishment (at least US\$1.5 million) to allow expansion and deepening of the catalytic technical and financial support to private enterprise export development efforts in Kenya.

On the other hand it is difficult to demonstrate sizeable, measurable impact, because only approximately 10% of the funds committed were directly targeted to Kenyan private sector firms.

The horticulture sector in Kenya, especially small and medium size growers, are facing a crisis in maintaining a presence in the key markets of the European Union, due to tightening of quality assurance and health regulations.

USAID through the KEDS project should consider enhancing resources to this sector; possibly through the cost-sharing of feasibility studies for the establishment of pilot, commercially-orientated "outgrowers schemes".

KEDS has also met or exceeded all goals and objectives in providing support and assistance to the key business associations in Kenya (KAM, F-PEAK). Strong support has also been provided to the parastatal horticulture marketing and extension organization - HCDA.

Private sector business associations in Kenya, however, continue to be weak, with the possible exception of the Federation of Kenya Employers (FKE). USAID, through the KEDS project, needs to emphasize the development of practical business related services of these associations to secure the continuing participation of voluntary members.

A program of professional training in association management for both executive staff and voluntary leaders should be considered. In addition, KEDS technical assistance should be focused on providing strong marketing training to all participants in exhibition and trade fair events to ensure the greatest possible return in these activities.

The primary policy reform goals of USAID initiated through the KEDS project have been achieved. Further USAID support in this area should be directed toward building capacity in the voluntary business and trade associations to advocate for change in policy and regulations affecting the business community.

INTRODUCTION AND METHODOLOGY

The Mid-term Evaluation of the Kenya Export Development Support (KEDS) Project was carried out by Price Waterhouse as Delivery Order No. 1 of the USAID Indefinite Quantity Contract for Private Sector Development Services (Contract No. 623-0150-I-00-4113-00) during the period April 24 - May 12, 1995.

The purpose of the mid-term evaluation as quoted from the Delivery Order request is "to provide USAID/Kenya with an independent assessment regarding the degree to which the KEDS Project has met its goals and objectives as stipulated in the Project Paper (PP). This evaluation will also provide the Mission with an objective appraisal of DAI contract performance as per the terms and conditions of the contract.

Furthermore, this evaluation will assist the Mission in determining whether additional funding should be provided for DAI contract extension beyond the current expiry date of March 1, 1996 or to terminate the contract as scheduled. This evaluation is expected to assist the Mission in determining what adjustments should be made in project activities in order to have the greatest impact during the remaining period. The evaluation is also expected to identify problems and suggest modifications to the project to ensure maximum impact and sustainability of interventions"

The Scope of Work is found in Appendix XII.

The evaluation team consisted of the following members:

Team Leader and International Trade and Investment Consultant - Denis Gallagher
Business Association Specialist - James Low
Policy Analyst - Dr Njuguna Ndung'u

Project Director - Andrew Hollas
Project Manager - Barbara Robin Steenstrup
Administrative Assistant - Irene Shani

Several of the team members had done extensive work in the export development sector in Kenya previously.

Interviews were carried out with officials from the Government of Kenya (GOK) and the United States Agency for International Development (USAID), the KEDS project advisors, other donor agencies supporting the export sector, trade association leaders and executives and key exporters. Appendix XIII contains a list of persons interviewed.

Extensive use was made of background and reference material. A bibliography is found in Appendix XIV. In particular, the Project Paper of July 1991, KEDS project data and the KEDS policy matrix (appendix XIII) were used to respond to the questions in the statement of work. The evaluation team presented its findings and recommendations to the senior management of USAID/Kenya on May 12, 1995. Key areas of emphasis from the presentation are reproduced at the beginning of each of the component chapters of this report.

Special appreciation goes to the staff of the USAID/Kenya Private Enterprise Office, the USAID/REDSO/ESA Private Sector Officer and the KEDS staff, all of whom facilitated our access to individuals and reference materials.

The focus of the evaluation is to assist USAID/Kenya in determining what adjustments should be made in the remaining implementation period to ensure maximum impact and sustainability of interventions.

BACKGROUND

This report represents the mid-term evaluation of the Kenya Export Development Support (KEDS) project with the intended purpose to provide USAID/Kenya with an independent assessment regarding the degree to which the KEDS project has met its goals and objectives as stipulated in the **Project Paper (PP)** dated June 17, 1991.

The KEDS project budget as specified in the Project Paper is US\$ 15 million of which the DAI contract budget is US\$ 6.5 million. The Project Contract was signed on 19 March 1992 and is currently scheduled to end March 1, 1996.

It is important to keep in focus the major objectives which have underwritten USAID support to the program:

- **goal** - to increase employment and foreign exchange earnings in Kenya on a sustainable basis
- **purpose** - to increase non-traditional exports.

USAID defines the goal as an objective to which the KEDS project should contribute while KEDS is held responsible for achieving the project purposes.

The domestic economic environment in Kenya has changed fairly radically in the last four years, especially regarding the policies affecting exports. Nevertheless, the actions undertaken within the KEDS project, including their design, execution, and the commitment of funds must be measured against the goals and indicators established in the original Project Paper; and confirmed in the contract award of March 1992.

The key End of Project Status indicators (FY91-98) include as goals achievement of up to one million new jobs available in the Kenyan labor market, and an increase of up to US\$770 million in additional foreign exchange earnings. The indicators of purpose are:

- 55% increase in foreign exchange earnings from manufactured, horticultural and other non-traditional exports (NTE) in nominal terms using 1990 as the base year.
- 6% increase in non-traditional exports relative to traditional exports (42% to 48%)
- geographical diversification of export markets - exports to the European Union reduced from 44% to 41% (1989 base year).

This evaluation review will therefore confine the assessment to those components of the KEDS project which have been the subject of a contract between USAID and the prime contractor Development Alternatives, Inc (DAI) of Bethesda, Maryland which include:

- the Public Sector component providing support to the Export Promotion Programmes Office in the Ministry of Finance
- the Firm-Level assistance component providing direct assistance to non-traditional exporters
- indirect assistance through private sector trade and business associations and
- the Special Studies component which provides funding for special studies through the EPPO and private sector trade associations to identify and suggest elimination of export bottlenecks within the environment for export in Kenya.

The evaluation exercise was specifically instructed not to make an assessment of the newly established Trade Finance component providing pre-shipment financing, nor to review the USAID contract with the International Executive Service Corps (IESC) which provides additional firm-level consultancy services under the overall KEDS project.

Q1 *What impact has EDF assistance had on non-traditional exports, employment and foreign exchange in the Kenyan economy? Have there been adverse effects such as environmental degradation as a result of this assistance? What are the major characteristics of the beneficiaries in terms of ethnic balance, socio-economic background and gender? ... or will there be significant impact on employment, foreign exchange and non traditional exports given EDF resources under the DAI contract?*

The following provides the background for our reply to Question 1. The question is restated on page 17 under section 3.3.1, where our responses are found, as well as through the charts at the end of chapter 3 and in Appendix I.

2.1 EXPORT AND FOREIGN EXCHANGE TARGET INDICATORS

The growth targets as originally contained in the June 1991 Project Paper assumed steady uninterrupted progress in the policy reform program of the GOK, as agreed with the World Bank and the donor community. The following contains those key projected economic indicators:

Average Real Growth Rates

Economic Growth	1985-89	1990-95
GDP (market costs)	5.8	5.6
of which:		
Agriculture	4.4	3.8
Manufacturing	4.4	7.4
Services	5.4	5.5

Table VIII Project Paper, June 1991

As is well understood, there occurred a severe disruption of the reform program of the GOK ultimately leading to the suspension of most of the assistance programs within the donor community. This phenomenon as well as the global recession of the early 1990's severely undermined the assumptions within the original KEDS Project Paper.

Key Economic Indicators

Economic Indicators	1989	1990	1991	1992	1993	1994
GDP %	5.0	4.3	2.3	0.4	0.1	3.0
Inflation %	13.3	15.8	19.6	27.3	46.0	28.8
Exports \$m	1,922.7	2,233.7	2,199.8	2,150.7	2,302.3	2,622.5
Imports \$m	2,539.7	2,679.1	2,302.1	2,143.0	2,630.0	2,399.8
Current account \$m	-609.01	-546.53	-210.49	-97.64	+98.23	+102.99
Manf index 1976=100	208.9	219.8	228.2	231.3	235.3	240.0
Exchange rate Shs \$	20.572	22.915	27.508	32.217	58.601	56.521

Source: Kenya Economic Survey 1994, 1995 and IFS

Figures in dollars have been translated using period average Kshs\dollar rate.

In spite of the fact that both GDP and exports have recorded significant growth, the exchange rate appreciated quite drastically between 1993 and 1994.

turning to export earnings, the 1991-2000 period, the table also projected the "best case" scenario regarding the impact of the KEDS project.

Non-Traditional Export Earnings US\$ millions

Export Scenario	Base (1991)	2000	1991-2000
6% growth	430	770	6,007
4% growth	430	637	5,369
0% growth	430	430	4,300

Source: Table X Project Paper, June 1991

Clearly, the expected rapid rise in NTE foreign exchange earnings have not reached the expectations as outlined in the original PP. Likewise, it is unclear what export products are included as "non-traditional export" in the assertion of the KEDS "Non-Traditional Exporter Employment Study" (January 1995) that NTE exports have reached \$615 m in 1993.

2.2 IMPACT ON EMPLOYMENT

The original KEDS Project Paper made very optimistic projections for the growth in employment of up to 1 million new jobs in the 1991-2000 time-frame.

The projections appear to be based on an econometric analysis combining the results of the following reports: World Bank Report on Employment Growth in Kenya (1988); GOK Employment Policy Overview (discussion paper MPND May 1990); a draft report of the Presidential Commission on Employment of 1990; and the results of the Labor Force Surveys in Kenya (working paper, MPND May 1990).

It is unclear whether the original economic analysis at the broad sector basis should ever have been directly linked to the impact of the KEDS project on non-traditional exports, though it was clearly the intention of the KEDS project designers to make that link. Appendix I part 3 shows the KEDS/EDF impact on non-traditional exports.

The following target goals and the assumptions upon which they were built are quoted verbatim from Annex C: "Economic Analysis" of the Project Paper, June 1991. In that framework, with the understanding that the project should contribute to employment creation and not obtain 1 million jobs alone, the demonstrable contribution of the KEDS project to employment creation nevertheless appears to be disappointing:

2.2.1 Agriculture Target: 667,000 jobs

Assumptions:

- that labor intensity of smallholder agriculture increases (in terms of employment per unit of value added in agriculture) from .3 to .6
- that the growth rate for smallholder farmers remains at 4%

Results: 10,532 jobs* **

* According to the USAID/KEDS "Non-Traditional Exporter - Employment Study" of January 1995.

** Source: KEDS, Non-Traditional Exporter Employment Study, January 1995

Turning to export earnings, the 1991 Project Paper (PP) as outlined in the following table also projected the "best case" scenario regarding the impact of the KEDS project.

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- that the growth rate for smallholder farmers remains at 4%

Results: 10,532 jobs* **

* According to the USAID/KEDS "Non-Traditional Exporter - Employment Study" of January 1995.

** Source: KEDS, Non-Traditional Exporter Employment Study, January 1995

2.2.2 Manufacturing Target: 127,000 jobs

Assumptions:

- the labor intensity of private sector manufacturing increases slightly to the level attained in recent years (1.22)
- manufacturing growth occurs in the private sector and not in the public sector.
- manufacturing exports increase by 9%
- manufacturing as a whole increases by 7.4%

Results: 20,835 jobs*

- * According to the USAID/KEDS "Non-Traditional Exporter - Employment Study" of January 1995.

2.2.3 Export Processing Zones Target: 90,000 jobs

Assumptions:

- World Bank estimates for Kenya EPZ growth are confirmed.
- EPZ private sector manufactures will be labor intensive taking advantage of Kenya's cheap labor pool.

Results: n/a*

- * EPZ programs (especially Athi River EPZ) have been the subject of considerable delay resulting in minimal job creation. USAID has withdrawn from the EPZ program and therefore does not directly track progress.

On the basis of these figures, the total impact on employment to date is 31,367.

2.3 TARGET GROUPS

In the review of the June 1991 Project Paper, there initially appeared to be a clear understanding of the intended target groups for firm-level assistance of the KEDS project. However, there also appears to have been some confusion as to the number of and/or time frame within which Kenyan exporting firms will actually receive KEDS-related assistance.

It may be worth reviewing a number of excerpts from the June 1991 Project Paper which point toward a differing emphasis, recognition and possible sensitivity over what groups can or should be impacted by an export development project of the design, duration and magnitude of KEDS.

Firms

- direct firm level assistance will be provided by KEDS on a cost sharing basis to 100-150 current and new exporters (p.123 PP)
- given the financial commitment required, it is expected that the firms will be predominately large and medium scale enterprises (p.123 PP)

- direct technical assistance delivered by PEMU (and supported by the cost sharing EDF) to 15-40 exporting firms over seven years (p.34 PP, p.37 RFP and p.36 Contract).

Social Soundness and Gender Analysis

- KEDS initiatives are primarily focused upon medium scale enterprises and the horticultural sector (p.66 F'P)
- there is a strong possibility that access to KEDS services will be restricted for most smallholders, women and smaller enterprises unless special efforts are made to include them (p.66 PP)
- there is a need to study the effects of KEDS on all sectors of the economy and society, especially the informal sector, small and micro enterprises and the least privileged, to avert any unintended negative consequences (p.67 PP)
- priority will be given to small and medium size firms (KEDS/EDF eligibility criteria).

In order to measure the development effects of the KEDS assistance, there is need to track the impact of the project on gender and ethnicity issues. There appears to have been a shift in recognition of equity issues (large to medium scale firms) toward an economically effective direction (small to medium size firms). Please see the KEDS Export Development Fund Company size distribution chart at the end of chapter 3.

While an assessment of the degree to which the original economic goals and objectives of the KEDS project have been degraded by this shift is beyond the scope of this mid-term evaluation, it may be useful to revert to the USAID Mission Strategy to identify any possible basis for this shift.

2.4 USAID PRIVATE ENTERPRISE STRATEGY 1990-95

The Kenya Export Development Support (KEDS) project has been conceived, designed, and executed under the overall USAID/Kenya Private Enterprise Strategy as determined in early 1990.

To quote, "the basic thrust of USAID/Kenya's private enterprise strategy is to increase productive employment by improving the efficiency of non-farm private sector investment and labor absorption."

From this basic thrust the following strategic objective was defined:

Increase Private Enterprise Employment While Reversing the Decline in Real Wages

To achieve this objective the following targets were formulated:

Target 1: Increase Non-Traditional Exports through:

- improvement of the Policy Environment for Exports
- expansion of Support Services for Exports.

Target 2: Increase the Profitability of Small and Medium Size Enterprises through:

- an improved Regulatory Environment and Support services for Small and Medium Size enterprises

In attempting to assess the mid-term impact of the KEDS project, it is apparent that not only have the original goals, objectives and design of the project been somewhat overtaken by events; but that there has been a significant shift of focus within the overall USAID/Washington strategy with regard to private sector enterprise development.

This shift of strategy and focus is clearly within the domain of USAID/Kenya to undertake; under the overall direction of USAID senior management. Nevertheless, the renewed emphasis on "Small Business Partnership" and "NGO Empowerment" as contained in the New Partnership Initiatives (NPI) of March 1995, marks a clear departure from the overall strategy and objectives that were in the forefront of development strategy when the KEDS project and its goals were originally defined.

While this shift may not have been specifically applied to the KEDS project, it may have subtly influenced overall thinking.

As defined at the beginning of this section (page 2), the goals of the KEDS project focus on employment creation and forex earnings. The purpose is to increase NTEs.

In September 1994, the KEDS Project carried out a study on its Monitoring and Evaluation system. The report from that study questioned, as did the mid-term evaluation, the original target for employment creation, ie 1 million jobs. Any contribution to increased employment from export should be welcomed and the target should simply be as stated in the KEDS project report on Assessment of Program Impact (API) related targets, "Increase in total employment in NTE enterprises".

For forex earnings, the target should be linked to the KEDS project investment through the EDF, ie a multiplier effect of at least 20:1 of each USAID dollar invested. Please see section 3.4.2 for further discussion of new measurements.



EDF Firm Level Assistance

Key findings

- EDF has met or exceeded targets
- Tightened regulatory control may force SME horticulture growers out of EU markets
- Changes in policies and strategies prompt a refocus of KEDS



Firm Level Assistance Recommendations

Replenish EDF - cornerstone of KEDS program

Address pending crisis in horticulture sector

**Long term sustainability rests with private sector
firms and associations**



3.1 EXPORT DEVELOPMENT AND INVESTMENT PROMOTION

It may be useful for the assessment of the impact of the KEDS project at this mid-term juncture, to attempt to separate the behavior of the private firm regarding firm level decisions affecting export growth and potential employment, from the econometric modelling as described in section 2.2 above.

Export Development - are activities of the firm which increase the competitive advantage of the firm's products or services in the intended market. These can include such activities as:

- promotion
- product re-design/adaptation
- packaging
- after sales servicing
- market research
- quality assurance
- distribution services
- advertising.

These types of export development activities which are components of the business and marketing plan of the firm, are also the key services offered by the KEDS through its EDF facility; in common with most export development programs in either OECD or developing countries.

Understanding the behavior of a firm, its products, and especially the target export market will determine the choice of export development activities undertaken. The key objective for a firm is to increase market penetration and export earnings. The impact on employment creation arises as a secondary issue, and any growth in employment at the firm level is determined by management when assessing the relative cost of labor and capital (eg equipment) in the cost/value added ratio.

The project designers selected NTE's because many of them are labor intensive in Kenya. This may or may not be the case in the future for markets where more stringent requirements must be met. (See discussion of the horticulture crisis in section 3.4.3 page 20 and Appendix VII).

Investment Promotion - which is often entrusted to specialized "semi-government" agencies such as the IPC in Kenya, utilize an entirely different array of techniques to attract new investors or to promote major expansion of existing industry. These can include to name a few:

- export processing zones
- tax holidays
- training and equipment grants
- office and industrial space

- favorable tax treaties
- participation in trading bloc or customs union (eg NAFTA, EU/LOME, COMESA etc)

In addition to sophisticated and targeted promotional activities, most investment promotion agencies attempt to provide the "one-stop" service for investors as a single interface with government and other regulatory agencies.

The key objective for most investment programs is to attract firm level investment to create employment, while the issue of export or domestic market orientation is often of secondary importance.

In the assessment of the performance of the KEDS project, sight must not be lost of what resources were available to the KEDS management team, what targets and goals were set to measure effectiveness, and most importantly what "business is it in". While KEDS does appear to be in the business of assisting firms with their export development activities, it does not appear to be tasked or equipped to undertake investment promotion activities which are the engine for employment growth. However:

- growth in productive employment is a key goal of the GoK and USAID as outlined in the Policy Framework Paper (PFP) as agreed with the Bretton Woods Institutions
- increased investment either by new entrants or existing firms, by small holder farmers or the large integrated agro-industrial firms, is the key to the creation of jobs
- export development activities also have a pivotal role to play in helping to secure the investing firm's product and services within the competitive international market place.

The KEDS/EDF component, like other private sector orientated export development programs can, by helping to secure market competitiveness, indirectly impact an individual firm's risk profile analysis when assessing an investment project. It is not, however, positioned to promote or determine the firm's investment decision.

3.2 STRUCTURE OF THE KENYAN ECONOMY

It may be important to provide a brief summary of the current structure of the Kenya economy, to illustrate the environment within which the KEDS project must operate.

3.2.1 Manufacturing

The strategy for economic growth as outlined in the GOK "Sessional Paper No.1 of 1986" has centered on the promotion of manufactured exports. This strategy has now been reconfirmed in agreement with the Bretton Woods Institutions. Success, however, requires a more open market economy, since Kenya's manufacturing sector is highly dependent on imported inputs either in the form of raw materials, spare parts or other imported inputs.

Nevertheless, Kenya has a relatively large manufacturing base including the following key sub-sectors:

- Textiles
- Leather
- Food Products
- Garments

- Footwear
- Engineering
- Chemicals
- Pharmaceuticals
- Furniture/Wood
- Paper/Packaging
- Printing/Publishing
- Handicrafts.

In recent years, growth rates in the manufacturing sector have been sluggish as a consequence of the deterioration of the economic environment throughout the 1980's and early 1990's. Overall growth in manufacturing reached a low of 1.2 percent in 1992, having continued its slide from 5.3 percent and 3.8 percent growth rates in 1990 and 1991. Growth in 1993 rebounded marginally by 1.8% but that may understate the rapid response of the sector to the major reforms implemented in May 1993.

Compounding the effects of continuing global economic recession, the period 1989-93 witnessed a deterioration in macroeconomic management due to severe drought conditions, which heightened the fundamental political/economic debate ensuing from the introduction of multi-party elections in December 1992.

Following a period of suspension in balance of payments support and further aid commitments by the donor community, structural adjustment and austerity measures initiated in April/May 1993 have led to a renewal of business confidence and greater support from the donors.

3.2.2 Value Added

Value added in manufacturing rose marginally in 1993, but remains quite low in a number of sub-sectors due to the high import content in the manufacturing process and the decline in labor productivity.

Manufacturing Sector - Output K£ million

Year	Value of Output	Intermediate Consumption	Value Added	Total Wages Paid
1991	10,817	9,583	1,234	1,353
1992	11,877	10,568	1,308	1,475
1993	15,907	14,394	1,512	1,600
1994	16,112	14,851	1,605	1,900

Source: Economic Survey 1995

3.2.3 Economic Profitability

While data is not available to determine the level of profitability of the different sub-sectors of manufacturing industry, it is possible to give a macro-economic overview of the different sectors of the economy.

Gross Domestic Product 1994 K£ million

Sector	Gross Output	Intermediate Inputs	Labor Costs	Profit
Agriculture, Forestry & Fishing	4,789.55	445.34	363.95	3,980.30
Manufacturing	1,846.95	156.45	560.46	1,136.06
Commercial Services	4,385.50	1,984.70	921.60	1,479.20
Financial Services	2,720.20	704.50	567.30	1,448.40
Transport & Communications	2,543.30	1,280.32	381.50	861.50
Building & Construction	1,455.60	712.80	519.96	222.80
Total Monetary Economy	22,902.80	7,351.70	6,810.40	5,740.60

Source: Economic Survey 1995

The most salient issues arising from the table above point not only to low labor costs within the structure of manufacturing; but to the low profitability of manufacturing when measured against the sector's gross output and consumption of capital.

3.2.4 Current Trade Pattern

The growth in exports of manufactured goods as a percentage of total exports (at least until the recent liberalization of the Kenyan economy and the surrounding PTA economies); has effectively stagnated at the levels reached in the late 1970's.

Moreover, the composition of leading exports, is heavily skewed toward a limited number of products; only two of which (cement & petroleum) can be even broadly classified as manufactured. As a review of the 1994 Kenyan Economic Survey will show, over 70% of Kenyan exports are represented by a handful of product groups controlled to a large part by a small number of highly integrated firms; such as the case of horticultural exports (see KEDS Horticulture Sub-sector Survey, Sept 1992).

As the data below indicates, the markets of the European Union have maintained their traditional dominance as Kenya's leading trading partners accounting for 36% of total exports in 1993; however that trend is clearly downward. Additional data shows a renewed emphasis on regional African and particularly PTA markets which have spectacularly increased their share of total exports with growth rates reaching 170% in 1993.

Direction of Exports %

	1989	1990	1991	1992	1993	1994
Europe	50.0	50.1	44.8	42.7	39.6	34.7
(EU)	(43.8)	(44.3)	(40.7)	(39.7)	(35.9)	(31.9)
North America	5.8	4.3	4.4	4.3	4.5	4.1
Middle East	2.8	3.8	3.0	2.9	2.9	1.7
Far East/Aust.	12.4	9.3	11.3	13.5	12.1	11.3
Africa	22.3	21.7	24.5	27.0	34.6	44.6
(PTA)	(15.4)	(16.0)	(17.5)	(20.2)	(26.4)	(37.1)
other	6.5	6.0	12.0	9.5	6.2	3.6

Source: Kenya Economic Survey 1995

The growth of Kenyan exports to African and PTA markets is of particular interest due to the fact that these exports are dominated by domestically control led firms and represent a much wider exporter base than the traditional commodities and horticulture.

Origin of Imports %

	1989	1990	1991	1992	1993	1994
Europe	51.8	51.0	47.1	38.5	38.8	38.5
(EU)	(45.2)	(44.9)	(42.0)	(33.7)	(34.5)	(33.7)
North America	8.5	5.2	5.9	9.0	6.6	7.1
Middle East	15.6	20.6	19.9	21.8	22.8	15.4
FarEast/Aust	21.3	18.2	22.6	22.9	18.8	24.2
Africa	3.3	3.0	3.0	3.2	2.4	13.7
(PTA)	(2.7)	(2.7)	(2.2)	(2.7)	(2.3)	(2.5)
Other	-	2.0	1.4	4.6	10.6	1.03

Source: Kenya Economic Survey 1995

Kenya's official trade flows may seriously underestimate the true level of trade with its PTA partners. It is generally recognized that large volumes of unrecorded transactions, especially in agricultural commodities, are conducted at border regions. This activity by its very nature is outside of the tax net and is impossible to quantify.

3.2.5 Profile: Kenyan Manufacturing Exporter

According to data made available by the KEDS project, and supplemented by the generous sharing of data by the World Bank funded Kenya Exporter Assistance Scheme (KEAS), an image of the profile of a typical Kenyan manufacturing exporter begins to emerge which may be useful in assessing the impact of KEDS services in section 3.3 of this report.

In a review of the KEDS "base-line survey" of members of the Kenya Association of Manufacturers (KAM) who export and the grant assisted clients of KEAS:

- the typical exporter is wholly Kenyan-owned (66% KEDS-survey) (53% KEAS-clients)
- exporting companies which have mixed local-foreign ownership represent a significant proportion of the export community (25% KEDS-survey) (35% KEAS-clients)
- wholly foreign-owned firms represent a minority of the total exporter population (8% KEDS-survey) and (12% KEAS-clients)

Likewise there is a convergence in the direction of Kenyan manufactured exports where:

- 72% of KAM exporting manufacturers and 67% of the KEAS-clients exported primarily to the PTA markets

This information on the profile of a "typical" manufacturing exporter in Kenya, can be supplemented by a recent survey on the demand for financial services from members of KAM.

This survey was conducted as part of a World Bank supported restructuring program aimed at developing and sustaining the Industrial Commercial and Development Corporation (ICDC) and the Industrial Development Bank (IDB), Kenya's two leading state-owned development finance institutions.

The data below illustrates the usefulness of analyzing the Kenyan export community on a sectoral basis, and with a clear understanding that the managerial and financial strength at the firm-level are the key ingredients to success in exporting.

Percentage of Turnover Derived from Exports by Manufacturing Sub-sectors (% of Turnover from Exports)

Pharmaceuticals	9
Food/Beverage	18
Leather/Textiles	40
Furniture/Timber	7
Paper/Printing	4
Chemical/Plastic	14
Engineering/Electrical	27
Other	31

Source: IDI Ltd December 1993

As expected, the results of the survey show that there is a wide divergence on export orientation among manufacturing sectors; though all manufacturing groups maintain a commercially significant export effort.

The survey is however, unlikely to show the results of the renewed emphasis on exporting arising from the dramatic trade liberalization measures undertaken by the GOK during 1993 and continuing through 1994.

Percentage of Turnover Derived from Exports

Number of Employees	% of Turnover from Exports
< 50	8
50-100	11
101-200	22
201-300	21
> 300	31

Source: IDI Ltd December 1993

Another interesting result from the survey revealed above, which confirms the original premise contained in the 1991 KEDS Project Paper, is the fact that firms which have a large employee base and are likely to be relatively capital intensive, will have the management structure and financial resources needed to embark upon exporting.

Q2 *Characterize the export services provided under EDF assistance. Are firms satisfied with the assistance provided? Which services are most in demand and why? Are there other critical services that the EDF should be providing?*

The previous sections of this report have attempted to place into perspective the USAID Washington and Mission policy framework within which the KEDS original Project Paper (PP) was formulated; and to place the contracted KEDS/DAI project within the changing economic environment that characterized Kenya in the early 1990's.

This section of the mid-term evaluation report will, however, more clearly focus on what the expected outputs of the KEDS direct firm level assistance were, and to what extent have these objectives been achieved. Please see also the chart on page 26, KEDS/EDF Activity Type and Appendix II, Strategic Consultancies Summary.

Firm Level Outputs

- 1) A fully staffed Private Enterprise Management Unit (PEMU) including four professionals, accountant/administrative support manager and secretarial support.
- 2) Direct technical assistance delivered by PEMU to 15-40 exporting firms over the first five years of project implementation.
- 3) Indirect technical assistance delivered by IESC to 10-20 firms over the first five years of project implementation.
- 4) Attendance by trade associations at 15 international trade fairs over the first five years of project implementation.
- 5) Increased employment in KEDS-targeted firms (after utilizing PEMU-funded TA) by at least 5% per year over the life of the project.
- 6) Increased exports to international markets in KEDS-targeted firms (after utilizing PEMU-funded TA) by at least 10% per year over the life of the project.

3.3.1 PEMU/EDF Firm Level Support

Q3 *Do firms go to KEDS for EDF assistance or for buyer contacts? Could these firms pay the entire costs of the services without EDF assistance? Should EDF be a grant or a loan to the exporting firms? Should EDF be focused on standardized or customized export services? Was the selection of horticultural and manufacturing exports appropriate? Should EDF assist the tourism sector on account of its high generation of employment and foreign exchange? Are EDF Eligibility Criteria appropriate and transparent?*

Directly following are brief replies to the questions stated under Q3. These replies are followed by a longer related discussion in which key observations and recommendations are made.

- a) Do firms go to KEDS for EDF assistance or buyer contacts?

A review of appendix II "strategic consultancies summary" shows that firms almost entirely go to KEDS for EDF assistance. This is absolutely to be expected and encouraged as the prospect for EDF co-financing is the cornerstone/contract upon which KEDS can engage the private sector at the firm level.

- b) Could these firms pay for the entire cost of these services without EDF assistance?

Whether or not a firm can pay for the entire cost of an export promotion activity depends on the financial strength of the individual firm. It must, however, be an objective (stated or unstated) to have firms take over the full cost of securing such services.

In the case of the project, the cost sharing element has played a catalytic role and the mechanism remains a useful tool in furthering project goals and objectives.

- c) Should the EDF assistance be a grant or a loan?

A firm needing loan finance to undertake non-asset building venture marketing activities is most likely to secure such finance as a working capital loan or overdraft facility, usually provided by commercial banks. USAID should not provide an additional financial product ie loans in that market.

Please see Appendix IV, "EDF eligibility criteria", which state the areas of activities eligible and not eligible for assistance, in particular section 8.

- d) Should EDF focus on standardized or customized services?

EDF does not and should not provide services directly, but co-finances the securing of key services by the firms themselves. Each firm's needs are unique at any point in time; while it is the repetitive need of these services which creates a market within which service providers can build a business.

Standardized services can however be best provided (where appropriate) by trade and business associations to their members. That is the business they are in.

- e) Was the selection of horticultural and manufacturing exports appropriate?

Except for traditional commodities, mining, or services, there do not appear to be other options with regard to sectors for export development in Kenya.

- f) Should EDF assist the tourism sector on account of its high generation of employment and foreign exchange?

Tourism and its component sub-sectors are very specialized activities from an export development perspective. If KEDS was an enterprise development rather than an export development project the answer could be yes, especially at the lower end of the market.

- g) Are EDF Eligibility Criteria appropriate and transparent?
Yes.

The information below is aimed at further addressing Q3 and is central to evaluation of the KEDS project.

- **Number of firms supported**

As of May 2 1995 the KEDS/EDF facility has provided 49 companies with matching grant assistance. Total grants approved to that date reached US\$437,489.00 with actual disbursements of US\$138,274.66 (see Appendix I).

In addition, the KEDS firm level component has provided over 70 strategic consultancy inputs to a cross-section of Kenyan manufacturing and horticultural exporters (see Appendix II). This level of impact far exceeds what was required in both the Project Paper and in the output indicators as specified in the contract.

- **Types of Activity**

The KEDS management team have continually tracked and recorded the types of activity Kenyan firms have undertaken with the financial and technical assistance under the EDF. The following data gives a clear synopsis of the key export marketing and development activities:

Export Development Fund: Activity Type

1.	Market Development (67 EDF interventions)	a) - Market Development (overseas) b) - Export Products Brochure c) - Advertising and Promotion d) - Trade Exhibitions e) - Market Research
2.	Product Development & Improvement (25 EDF interventions)	a) - Quality Control Systems b) - Technical Consultancies c) - New Product Development
3.	Employee Training (10 EDF interventions)	a) - Employee Sales Training b) - Employee Technical Training
4.	Business Planning (7 EDF interventions)	a) - Business and Marketing Planning b) - Feasibility for Expansion c) - Financial Planning

These types of export development activities were clearly appreciated and endorsed by the cross-section of EDF recipient firms interviewed during this mid-term evaluation (see Appendix III). The results of those interviews can be summarized as:

- KEDS proved able to provide timely technical and financial assistance in the aftermath to the firm's introduction to exporting following the removal of the key obstacles by the policy reforms of May 1993.

The initial incentives were often spearheaded by the World Bank/KEAS program, but the professional and business-like relationship between management of both KEAS and KEDS fostered an integrated approach while avoiding the potential for "double-dipping" by EDF recipients

- KEDS recognized that product development and production planning is the natural follow-through to initial market research

- KEDS also promotes match-making and cost-sharing especially in the recruitment of both Kenyan and international export development consultancy inputs. The individual firm is a key (un-stated) goal which will underpin long-term export success.

With regard to future areas for KEDS' focus, the final point of the above synopsis gives direction on where and in what fashion EDF support can be given.

The underlying premise is that the responsibility for success in exporting rests with the management of individual Kenyan firms.

It is most appropriate to discuss questions of impact in this section of the report. Question 1 is thus restated below:

Q1 *What impact has EDF assistance had on non-traditional exports, employment and foreign exchange in the Kenyan economy? Have there been adverse effects such as environmental degradation as a result of this assistance? What are the major characteristics of the beneficiaries in terms of ethnic balance, socio-economic background and gender? Has or will there be significant impact on employment, foreign exchange and non traditional exports given EDF resources under the DAI contract?*

- **Employment, Foreign Exchange and other impact issues**

As outlined in earlier sections of this report, KEDS project indicators regarding employment creation, foreign exchange earnings, and the sensitive issues surrounding the ethnic and gender impact of the program, have shifted from the goals stated in the original Project Paper (PP) and within overall USAID policies and strategies.

Nonetheless, the recently installed "Monitoring and Evaluation System" (see Appendix I) has provided KEDS and USAID management with the following indicators:

- **Employment** - of the sample selection of EDF assisted firms, there has been an 12% average employment increase between 1994/95. This result while modest within the overall KEDS employment goals, is more likely to be a realistic return from an export development project; and exceeds the KEDS/DAI impact indicator by a factor of 2
- **Foreign Exchange Earnings** - have only recently been quantified for the EDF group of companies as a whole. Initial incremental increases in forex earnings range from - 34% to a gain of +900%, with the average increase in forex earnings of EDF firms reaching 41% (see Appendix I) an impact that far exceeds the benchmark indicator of an 10% increase per annum

NTE Foreign Exchange Earnings*

	1991	1992	1993	1994
US \$ Million	970.9	842.0	951.1	1703.4

Source: EDF Summary Tables (See Appendix I)

- **Ethnic & Gender Impact** - indicators which are additional to both the Project Paper (PP) and the KEDS/DAI contract have nevertheless been tracked by KEDS management (see Appendix I). The following results while not targeted have been skewed by the intentional bias toward small and medium size firms as listed in the EDF (see Appendix IV).

EDF Percentage Involvement of Various Ethnic Groups and Men and Women

Kenyan African	54%
Kenyan Asian	37%
Kenyan Caucasian	8%
Male	70%
Female	30%

- Environmental Degradation

Regarding environmental degradation, it is unlikely that either funds from EDF or strategic consultancies would have contributed to environmental degradation. Information furnished to firms by KEDS on Maximum Residue Levels (MRLs) as contained in Appendix VII has made a contribution to the safeguarding of both the environment and human consumption from produce grown in Kenya.

3.4 KEDS/EDF - MEASUREMENT FOR SUCCESS

Q4 Is EDF sustainable within the Kenyan private sector membership organizations? If so, what modalities would be required to ensure that DAI technical services continue after the expiry of the contract?

EDF is not sustainable within private sector membership organizations as there is no independent source of matching grant financing.

Kenya presently has a business services sector which can supply at least the rudiments of export related services to Kenyan manufacturers who export. USAID/KEDS future intervention in this area should be designed to provide catalytic financial and technical support to strengthen the market for private sector delivery of export-related business services.

A key to the establishment of a self-sustaining pattern of export growth is the access by the exporter to professional business services in Kenya. These can include:

- commercially usable market information
- market research facilities
- exhibition organizers and consultants
- product and graphic designers
- marketing training
- advertising and quality printing/publishing
- production planning and engineering services
- technical consultancy services
- quality assurance and ISO 900 certification

KEDS and USAID/Kenya may wish to explore the establishment of a professional consultants data bank, possibly in conjunction with the key business associations (KAM, F-PEAK etc.) which will foster the sustainability of export development services through the market mechanism.

3.4.1 Lessons from KEDS & KEAS

Information on the World Bank funded Kenya Exporter Assistance Scheme (KEAS) is provided because KEAS and the KEDS/EDF component have similar goals and activities and KEAS has been fully evaluated. KEAS has approved US\$1.4 million in grant assistance to Kenyan manufacturing firms between 1992 and mid-1994. This grant assistance of 50% of the cost of the individual Kenyan firm's export project which is similar to the KEDS program, and has impacted:

- 234 largely manufacturing firms
- undertaking 605 export development projects
- in 13 different industrial sectors

The average incremental exports earning (return on grants) had reached 41:1 at the height of the project; though KEAS management estimates that the final return on grants will decline to a more modest 30:1 ratio.

If that ratio is maintained, the committed US\$1.4 million invested in export promotion under the KEAS program would result in an increase in excess of US\$40 million in non-traditional exports to Kenyan firms. See also Appendix XI: KEAS related data.

The KEDS/EDF facility while a more modest endeavor at \$450,000 compares favorably in light of the close working relationship between the two projects resulting in:

- 48 companies receiving EDF assistance undertaking;
- 109 export development activities.

While the KEDS/EDF has not monitored the return on grants in the same manner as the World Bank project, initial projections contained in Appendix I show a respectable return on grants of 17:1 resulting in over \$7.6 million in incremental export earnings for EDF assisted firms.

Notwithstanding the differing methods of evaluation, the results from both KEDS and KEAS clearly demonstrates the effectiveness of the cost sharing grant mechanism as a "catalytic financial and technical support instrument to strengthen the market for private sector delivery of export-related business services".

Linked to the lessons gained from the operation of the KEAS and the KEDS cost sharing grant mechanisms, is the increasing collaboration of individual companies into sub-sector groupings. While the KEAS program has identified eighteen (18) distinct manufacturing sub-sectors, the work of the KEDS management with the newly formed Exporters' Committee of the Kenya Association of Manufacturers (KAM) representing 221 companies in 14 sector groupings, gives organizational expression to an increasing awareness of the sector approach to export development in Kenya.

The issue of sustainability of EDF type intervention however, rests with the private sector exporting firm having access to export related technical services via the market mechanism. The role of private sector membership organizations may be to act as a conduit for members either individually or through sector groupings to gain access to the market for export services; though it is unlikely that such organizations will be the delivery vehicles for such services in themselves. Please see also the charts at the end of this chapter.

3.4.2 KEDS/EDF - Lessons for the Future

It is clear that apart from the somewhat inappropriate macro-economic indicators regarding employment growth and overall national increases in export related foreign exchange earnings, the KEDS/EDF component has easily met all contracted deliverables.

Nonetheless, there are lessons to be learned and applied if the KEDS project is to be continued beyond the current DAI contract expiry date in mid-1996. As it is beyond the scope of this evaluation report to "design" a potential extension of the KEDS/EDF component of that project, the following issues are highlighted to contribute in a modest way to the forthcoming internal USAID discussions on the subject:

- **EDF Replenishment** - the current EDF is approaching full commitment (see Appendix VI) and it is unclear to what extent KEDS management will be able to cater for new client companies. As the funding for the EDF is the "cornerstone" of the KEDS firm-level assistance component, the absence of further "working capital" will render the EDF service redundant beyond March 1996.

As the results of both KEDS/EDF I and the KEAS program have shown, the cost-sharing mechanism is a development instrument in the area of export promotion which is a proven and verifiable success. To have a significant effect however, any replenishment of the KEDS/EDF II should at least be in the magnitude of the earlier KEAS program (at least US\$1.5 million).

If the DAI contract was not extended, an EDF facility, similar to KEAS, could be established as a separate unit under a local organization. Further assessment would be required to determine which organizations would have the capacity and experience to encompass an EDF component. A management oriented type of organization, would nevertheless be crucial to success and accountability. Donor assistance would be required both for the fund and for management costs.

- **New Measurements** - the current measurement system for EDF impact on employment and foreign exchange growth to beneficiaries is inappropriate. While it remains important to track employment growth, it is not necessarily an indicator of success in export development from the perspective of the firm.

Similarly, the current target of 10% per annum growth in export earnings may, depending on the size of the firm, be either over ambitious or far too modest. Taking the lessons of KEAS, a more appropriate indicator for success in a potential EDF II would be the ratio of 20:1 for each EDF dollar invested. (Please note that this suggestion is only marginally higher than the current KEDS ratio and reflects the restrictions barring USAID support to certain sectors, and the bias toward small and medium size firms) If the EDF II were ideally operating as the original KEAS criteria with no restrictions on size, ownership, gender or ethnic bias, then the established 30:1 ratio should apply.

3.4.3 Crisis in Horticulture

As a review of the EDF recipients contained in Appendix I will show, the KEDS concentration on supporting the development of small and medium size horticulture exporters has been impressive. However, due to the tightening of quality assurance rules and especially maximum residual levels (MRLs) for pesticides in key markets of the European Union (see Appendix VII), the ability of small and medium size horticulture growers and exporters to maintain exporting is under severe threat.

While it is clearly beyond the scope of this evaluation (and the technical competence of the evaluation team!) to make detailed recommendations in this matter, the following suggestions are offered in light of the possible extension of the KEDS/EDF component of the project.

- **Pilot Outgrowers Schemes** - USAID under the overall KEDS program may wish to facilitate the establishment of pilot outgrowers schemes with both the large established horticulture exporters (see KEDS Horticultural Sub-Sector Survey, Sept 1992) and the emerging commercial grower/exporters who are current KEDS clients; together with the small and medium size growers who have traditionally availed of the services of export trading houses in Kenya.

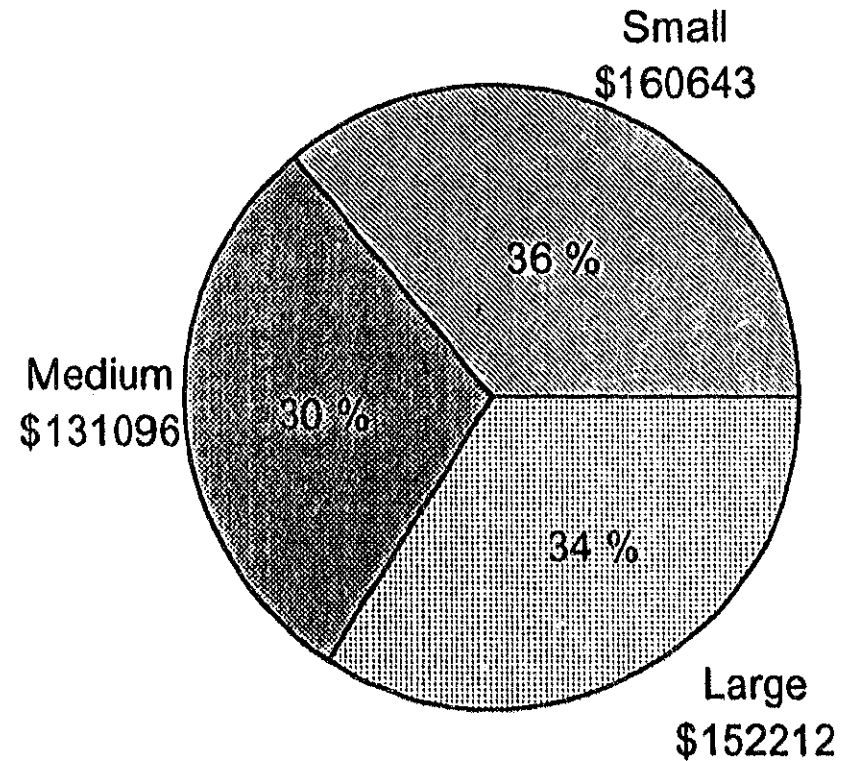
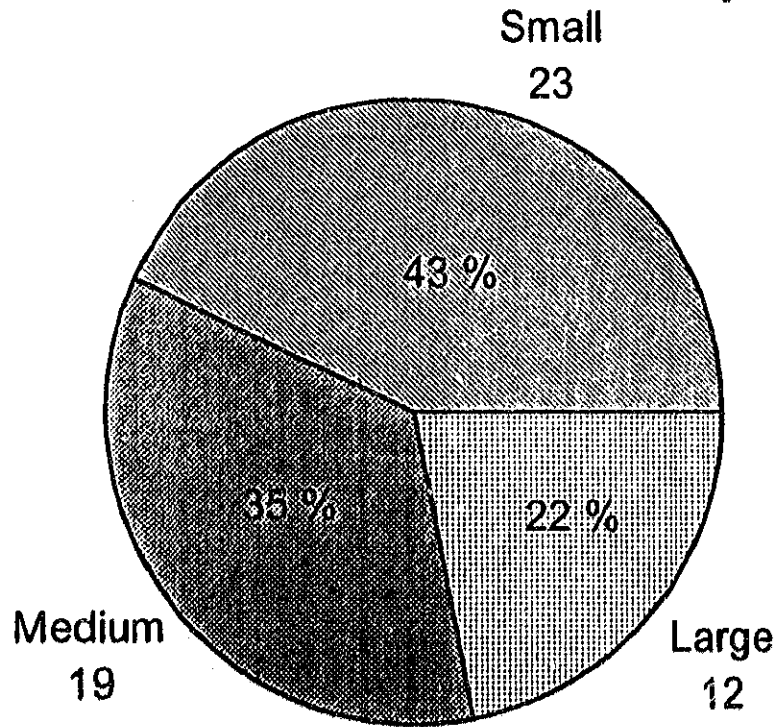
KEDS/EDF support in this area could take the form of cost-sharing the detailed feasibility studies with interested parties, leading to the possible establishment of autonomous enterprises for management of outgrower schemes with wide share holdings from both the Kenyan private sector and international financial institutions such as IFC, CDC, or DEG etc.

- **KEDS Technical Resources** - to facilitate such an ambitious endeavor, KEDS/EDF II technical resources may need to be strengthened with the recruitment of a long term advisor with extensive, practical experience in private sector co-operative or outgrower development programs, eg OutSpan, Sunkist, Ocean Spray etc.
- **Employment Creation** - making outgrower schemes attractive to large scale producers is one way in which the KEDS project could have a potentially positive impact on employment.



KEDS EXPORT DEVELOPMENT FUND

Company Size Distribution



Total : 54 Grants

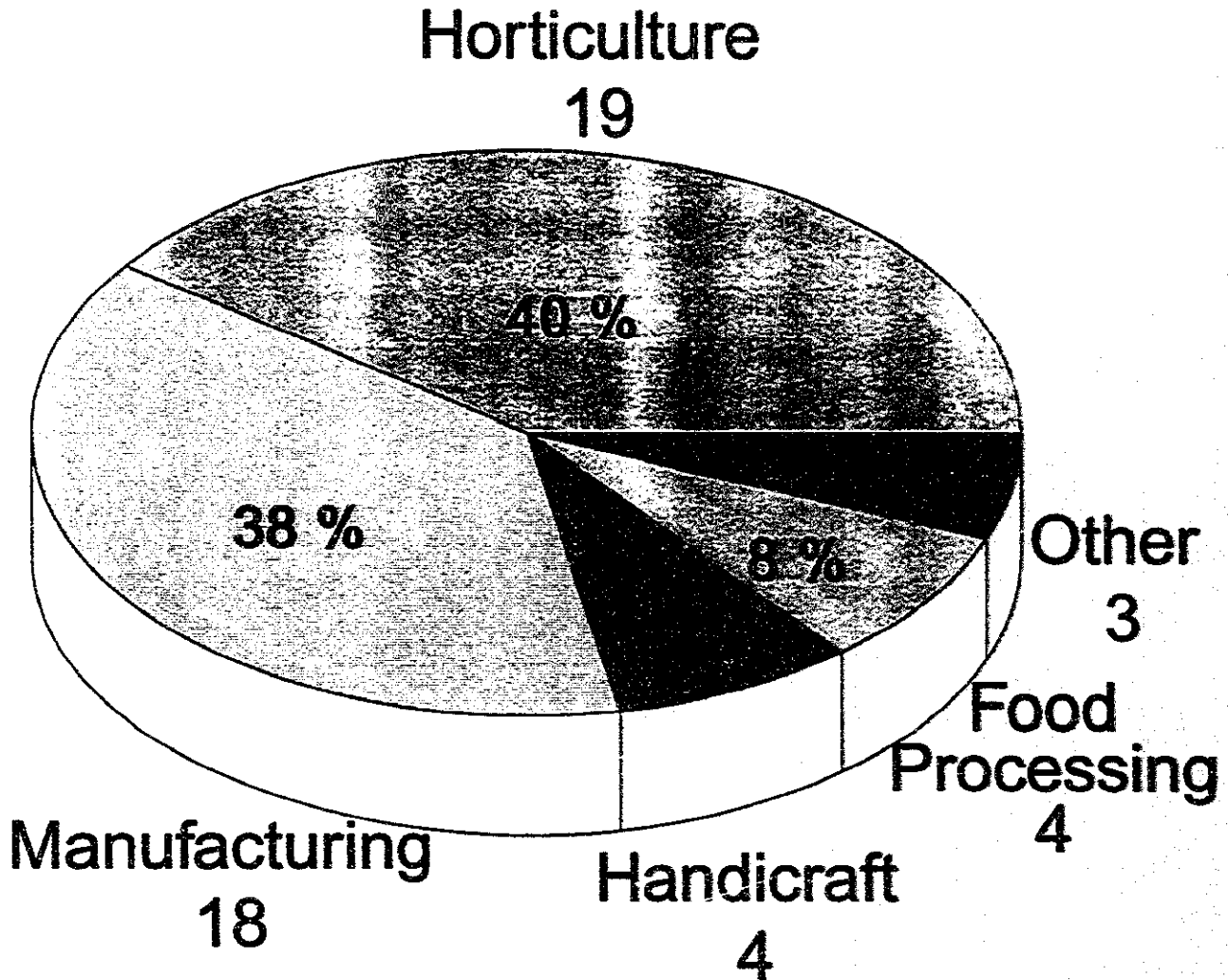
Total : \$443,951

Effective Date: May 8, 1995

Source : KEDS



KEDS/EDF Company Type



Total: 48 Companies

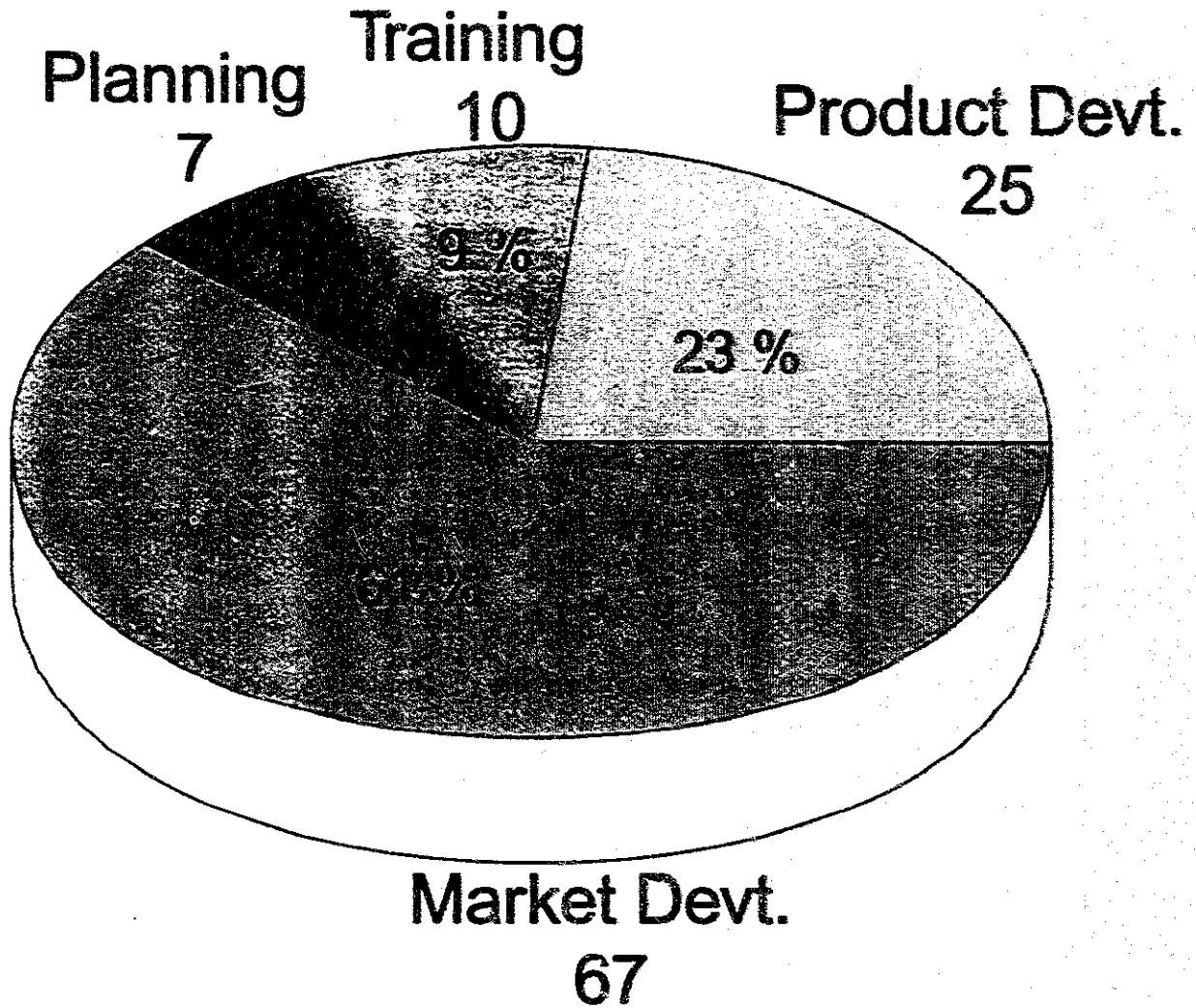
Effective Date: May 4, 1995

Source : KEDS



KEDS/EDF

Activity Type



Total: 109 Activities

Effective Date: May 8, 1995

Source : KEDS



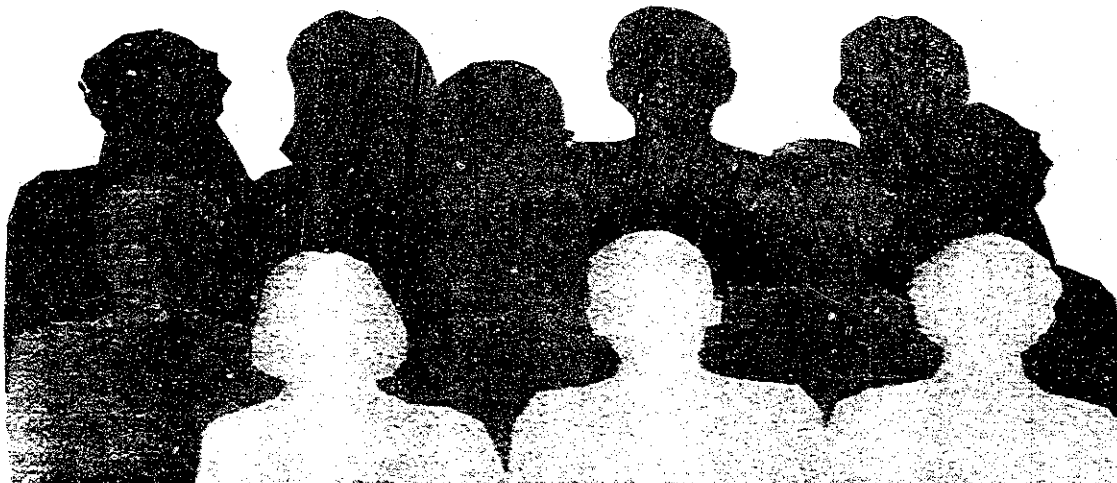
TRADE ASSOCIATIONS KEY FINDINGS

- **KEDS accomplished its tasks**
- **Associations need strengthening and a role beyond advocacy**
- **Support to trade shows, exhibitions, etc needs improvement**



TRADE ASSOCIATIONS RECOMMENDATIONS

- Build the business base of associations
- Association leaders and staff should be trained
- Donors should be provided with guidelines for association support



4.1 INTRODUCTION

Below and in Appendix VIII, the evaluation provides a generic description of the basic principles for the growth and development of effective trade associations. The purpose of this description is to have a benchmark against which to measure to what degree KEDS association initiatives have had an impact in relation to questions (1)Bi - ix in the statement of work for this assignment as shown below:

- (i) What role has KAM, F-PEAK and HCDA played in the promotion of non-traditional exports? How has the KEDS project enhanced or inhibited this role? What are the challenges these institutions face? What can the KEDS project do to enhance their role in the future?
- (ii) Which of the various project activities undertaken (technical workshops, trade shows, dialogues etc) have had the greatest impact on non-traditional exports? What was the major contributing factor for this impact? How can these services be improved to increase the overall project impact?
- (iii) How would you compare trade associations (KAM and F-PEAK) with GoK agencies (HCDA, EPPO, and EPC), in terms of their effectiveness in policy dialogue or export promotion in general? What model is appropriate for donor intervention?
- (iv) Is KEDS project assistance to these institutions (KAM, F-PEAK and HCDA) sustainable? For example, has KEDS assistance developed institutional capacity to maintain services after the expiry of the DAI contract?
- (v) Has the assistance provided to those institutions been appropriate?
- (vi) What performance criteria, if any should USAID require if further assistance is to be provided?
- (vii) How can the project institutionalize export promotion services currently provided by the DAI technical team, within Kenyan institutions?
- (viii) How can the project measure impact of institutional support?
- (ix) Should the project assist other private sector organizations who are providing assistance to exporters?

Trade and professional associations are organized to fulfil human needs. They not only stimulate economic activity, but they provide a way for people to work together for their mutual benefit.

Trade associations put the synergistic power of a group to work in solving problems and attaining mutual goals. While individuals working alone can accomplish a great deal, an association can usually get the same tasks done much faster and easier. Associations are peculiarly a product of a democratic society.

Trade associations will be established as needs of particular business or industries grow and competitors realize their mutual needs. The growth and development of trade associations in a democracy are in direct proportion to the health and freedom of business.

The reasons for associations vary widely - from the need for a united voice to speak to government, the media or the public - to the need to standardize a product - or market products and services - (a list of association activities is listed later in this paper). There will be a growing number of problems and needs which will draw the industry together and obtain this membership in an association.

Associations tend to start off slowly because of lack of focus and financing. Many times they start only as groups for net-working and socializing.

Not only are associations created and encouraged in a democratic society, they are vital to the proper functioning of government. Only through the unified voice of interest groups can government receive the necessary information on how to govern wisely.

4.1.1 Policies and Structure of Associations

The constitution and by-laws of an association are important to ensure the proper structure and leadership of the organization.

The elected voluntary leadership must be made up of known ethical leaders in business or industry. There must be a balance between small and large types of members on the Board of Directors and Executive Committee. There should be rotation of these leaders, and above all they should listen to the needs and opinions of the members.

4.1.2 Financing

After an association has been established and is standing on its own two feet financially, its income may come from a variety of sources.

At the onset, most associations must depend on member subscriptions or annual dues to support their activities, staff and overheads.

The method for establishing a dues or subscription schedule must be fair and equitable. It must take into consideration the types and sizes of member companies.

The most frequently used subscription is a "FLAT RATE" where all members pay the same, but this does not take into consideration the size of the company or its ability to pay. All associations receive income from sources other than dues or subscriptions. Appendix VIII lists a number of ways in which associations can set up their subscription or dues schedules and a further description of other income sources can also be found in Appendix VIII.

4.1.3 Activities and Programs of Associations

The programs and services offered by an association to its members are vital to support and participation. These services are the reason for the existence of the association (see Appendix VIII).

4.2 THE ASSOCIATIONS CO-OPERATING WITH KEDS AND OTHER ORGANIZATIONS AND ASSOCIATIONS

KEDS works primarily with two associations, the Fresh Produce Exporters Association of Kenya (F-PEAK) and the Kenya Association of Manufacturers (KAM). In addition, it works with the Horticultural Crops Development Authority (HCDA), a quasi government organization. Below are brief descriptions of each of these organizations in preparation for addressing the questions in the statement of work.

4.2.1 Fresh Produce Exporters Association of Kenya (F-PEAK)

Basic Objectives

F-PEAK has two main objectives:

- to represent and be an advocate for the fresh produce and floral industry in all matters relating to government regulations and legislation, and
- to provide needed services and programs to members including information on new technologies, environmental and government regulations.

Number of Members

F-PEAK is a mandatory membership organization with 225 active voting members. All members are exporters. Currently approximately 50 are active. Twelve to fifteen are leaders, of whom nine are Board members.

Staff

Currently there are only two permanent staff members who are non-executive.

Operating Budget

The 1994 budget was approximately Ksh 651,700 (US\$ 15,000). The budget for 1995 is estimated at Ksh 2,150,775 (US\$ 50,018) at exchange rate US\$ 1 = Kshs 44.

F-PEAK's income stems mainly from an automatic payment made by exporters on the basis of volume exported (Ksh 0.01/kg inversely to Ksh 0.05 from January 1995)

There are also some income from meetings and advertising sales which is expected to increase in the future.

Services and Activities

F-PEAK provides the following services:

- government policy lobbying related to market issues
- collection and dissemination of monthly newsletter "Fresh Produce Exporters"
- information on transportation
- technical services and workshops
- information on environmental requirements for export
- assistance for attendance at all Trade Shows and Exhibitions and
- employee member training programs.

Strengths

- fresh produce and cut flowers are now second in foreign exchange earnings surpassing coffee in 1994. There are approximately 2,000 agricultural businesses which are potentially active members which suggests a successful future for the association

- at present the association has significant contacts and support from GoK which is sympathetic to the problems and needs of the industry
- there are a dozen dedicated and committed leaders in the industry who give the association good direction and support.

Constraints

- because membership is made up automatically of anyone exporting, many companies do not know they are members and are not active in the association
- political considerations and lack of time available to members is a deterrent to participation
- KEDS pays the salaries of the acting chief executive and staff. F-PEAK will need at least three years to assume this financial responsibility independently.

4.2.2 Kenya Association of Manufacturers (KAM)

KAM states its mission as follows:

"The Corporate Mission of the Association is to facilitate industrial growth and development by promoting and protecting the interests of industrialists and manufacturers as well as encouraging discussion amongst its members on all problems concerning industries in Kenya such as those that relate to adverse policies, availability and quality of manufacturing inputs, quality of products, markets and marketing and advising Government on possible measures to address them while collaborating with all concerned in seeking solutions that satisfy the needs of the members".

Members

KAM has approximately 600 members, 250 of whom are exporters, studying merges with other organizations and creation of other member categories.

KAM Export Members are divided into 14 sectors as follows:

- 1) **MEDICAMENTS/VETERINARY AND INSECTICIDES. (22)***
- 2) **PLASTIC AND RUBBER ie plastic components, utensils, pipes, rubber components and retreads. (21)***
- 3) **FOOD AND BEVERAGES ie tea, beer, soft drinks cooking oils, food additives, canned products, fish fillet and processed fruit. (33)***
- 4) **TEXTILES AND TEXTILE PRODUCTS including canvas products, garments, fabrics and yarn. (24)***
- 5) **LEATHER AND LEATHER PRODUCTS ie pure leather, shoes and bags. (6)**
- 6) **COSMETICS/SOAPS/DETERGENTS including health care product. (13)***
- 7) **CHEMICALS/PETROLEUM BASED PRODUCTS/MINERALS including resins and paints. (34)***
- 8) **MOTOR VEHICLE ASSEMBLY/COMPONENTS AND TRANSPORTATION. (9)***
- 9) **PAPER AND PAPER PRODUCTS including diaries, exercise books and carbon papers. (21)***

- 10) PACKAGING ie paper and metal. (6)*
- 11) ENGINEERING AND METAL FABRICATION. (23)*
- 12) STEEL AND STEEL PRODUCTS. (13)*
- 13) FURNITURE AND RELATED PRODUCTS. (9)*
- 14) OTHER ie electrical cables, bulbs, ceramic products, construction materials, screens and reflectors.

* The numbers in brackets show the number of members in each sector that export. There are a total of 221 exporting members drawn from all sectors.

Staff

KAM has 15 staff including 4 professionals and 11 support staff.

Budget

The annual budget is Kshs 7.4 Million.

Services and Activities

KAM currently provides the following services:

- Government policy lobbying on market information
- training workshops
- distribution of industry news
- providing export market information
- conducting market surveys and collecting and disseminating of economic statistics and data
- cooperating with other organizations that have similar interests.

Strengths

KAM has two main strengths:

- 600 members with strong support from manufacturers
- well established lines of communication with GoK without being immersed in politics.

Constraints

KAM has several constraints to its effectiveness:

- there are approximately 4,000 industries in Kenya; KAM membership is too restricted and should open to other types of business and expand to other regions.
- because of a weak financial base, the staff is too small to serve members' needs
- current staff is not well trained and needs higher qualifications

- KAM does not have a reputation for good quality service to members. The association appears to have low profile with the GoK as compared to former years.
- there is not enough service to or communication with members to understand their problems and help them improve the quality and marketing of their products.

4.2.3 Horticultural Crops Development Authority (HCDA)

Mission Statement

HCDA is a quasi government institution to assist the industry to grow and prosper through the furnishing of technical information and training.

Members

It is a parastatal under the Ministry of Agriculture. It is not a Trade Association.

Staff

HCDA has 138 employees.

Leadership:

There is a 13 member Board drawn from public and private sectors.

Financing

Derives its budget from a 12 cent cess charged per kilogram of exports.

Activities

HCDA is active in the following areas:

- horticulture industry facilitation
- rural horticultural extension
- outgrower scheme monitoring
- market information network and dissemination
- industry news distribution (The Horticultural News)
- training and workshops.

Strengths

As part of the government, it has the power and authority to solve problems of the industry more quickly.

Constraints

As part of the government, it is captured by bureaucracy and politics.

4.2.4 Federation of Kenya Employers (FKE)

Regarding possible other associations with which KEDS could work effectively, the Federation of Kenya Employers (FKE) appears to be the most obvious.

FKE is a federation made up of other dependent or autonomous organizations: KAM has 600 members; FKE has 3,000 members and all KAM members are members of FKE.

FKE appears to be the strongest financially and has the most effective service line of all other trade associations in Kenya that were considered in the course of the evaluation.

FKE's 1995 budget is Kshs 54,025,000 projected surplus Kshs 385,320.

Tom Owuor has been Chief Executive Officer since 1976, and has a staff of 75 employees. Seven officials (Deputy Executive Director's level) oversee sections.

FKE owns its own building valued at 12 million shillings. It is planning a new extension next door.

Donor agencies that have recently provided support to FKE are UNDP, UNIDO, ILO and USAID.

FKE provides an integrated service package to members including:

- active public policy advocacy
- promotion of sound industrial relations and joint labor practices
- productivity improvements program
- total quality management (TQM)
- export promotion incorporating ISO 9000
- management consultancy and executive selection services
- management training
- entrepreneurship development
- management consultants.

They are now holding discussions with ILO, to develop joint training programs.

Other activities of interest include:

- export promotion training
- UNDP private sector development program on food processing, construction, small enterprises, etc
- representing members of FKE on industrial relations matters, represented 82 of the 113 cases heard by the Labor Court in 1994.

FKE appears to be an impressive organization. It is recommended that it be considered for increased cooperation with KEDS in the future.

The descriptions above are useful in understanding the present structure and financing of the two participating associations and HCDA. They also provide a foundation to build healthier and more effective organizations.

The box below reformulates the questions in the SOW and attempts to reply adequately:

In the context of this evaluation, are KAM, F-PEAK and HCDA developing in the proper direction? Will they be financially sound? Employ qualified staff, serve the needs of their members, industry and government? Are they sustainable in the future without donor assistance? What has been their relationship with KEDS - how has KEDS served them? The evaluation specifically addresses these issues or criteria in relationship to the KEDS program:

- 1) ***What services are they performing that are:***
 - ***identifying export markets for their members***
 - ***helping members improve quality of products to ensure export acceptance.***
 - ***assisting members to promote and sell more non-traditional exports***
 - ***finding new export markets***
 - ***finding methods to expand production?***
- 2) ***Do the associations and their members go to KEDS for assistance? When they do are they satisfied with the assistance?***
- 3) ***Which of the KEDS and association services are most in demand and why? What has been the impact and are they appropriate?***
- 4) ***What performance criteria should USAID require if further assistance is to be provided? How can impact be measured?***
- 5) ***Are the association programs sustainable after USAID support terminates?***

4.3.1 FRESH PRODUCE EXPORTERS ASSOCIATION OF KENYA (F-PEAK)

The following interviews were held pertaining to F-PEAK's programs, policies, services, structure and performance as it pertains to this program and the relationship and support provided by KEDS.

- 1) Chief of Party - KEDS
- 2) Ng'uuru Gakurwe - Water Project
- 3) Chairman, F-PEAK - Red Hill Blooms Limited
- 4) Vice Chairman - F-PEAK, Siani Roses
- 5) Association consultant
- 6) Export Promotion Council

- 7) Acting Chief Executive, F-PEAK
- 8) EPPO Division Chief - Ministry of Finance.

As is the case with many successful associations, F-PEAK finds itself on the horns of a dilemma. It has worked successfully with KEDS in delivering an important export program to its members. Only a small percentage of its members however, are active and it is sometimes criticized for being too political and too time-consuming to participate in the association.

Members View

Below are key observations from interviews with F-PEAK members and leaders:

- one farmer, who complained about both time and politics, has used the KEDS program to bring water to his farms and has thereby increased the number of employees working from 24 to 130 in a short period of time.

This was accomplished through KEDS - F-PEAK programs that started with money for new water resources and progressed to export marketing information and technical help in packaging.

This farmer used six of the KEDS - F-PEAK most popular programs; export marketing information and assistance in selling and promotion. He received information on technical and environmental regulations, thereby expanding cultivated acreage by four fold. He says the start-up financial help was most important. He is satisfied with this assistance and sees a bright future.

- **Siani Roses**, is one of the giants in Kenya. When the firm joined, the association was defunct. It was used as a political tool. With the help of KEDS - F-PEAK is now a positive force with a good staff running the association.

Unfortunately, many members do not recognize the good work the association does. There is concern about a split in the association between flowers and other products (vegetables). According to this member the forthcoming 4 cent cess from HCDA to F-PEAK is important in making the association stronger for the future.

F-PEAK is in the process of redrafting its constitution to increase the subscription (member dues). HCDA is collecting the 4 cents but is very slow in forwarding the funds to F-PEAK. This money is necessary if the association is to survive

- this association official from a leading member company states that there are only 60-70 beneficial members - with only 15 serious members. The association needs sources of income other than dues
- this association leader was very positive about the job KEDS has done with F-PEAK. He states KEDS has done a "great job". The association uses the technical exporting information furnished as well as the market information, and training programs. This is one of the reasons his exports are growing
- the next interview was with another officer of F-PEAK and a medium sized producer in the industry - again he praised the job F-PEAK and KEDS have done for the industry.

He remembers how the association with only two staff with KEDS started seminars about flower production and vegetable exports. The meetings produced market information about exporting to England. This expanded his market.

KEDS worked with their 200 members on group purchasing, problems of fruit transportation and importation of chemicals for members. This helped compliance with regulations and expanded exports to England.

He praised the KEDS project as very helpful - particularly on market information and government relations. The problems facing the farmers are:

- roads and bridges
- cold storage at airports
- sources of water.

KEDS should do more in marketing and training - exhibits and workshops on pesticides. He believed that in three years, F-PEAK would be able to stand on its own

- the final interview was with the Acting Chief Executive of F-PEAK.

He has just returned from a food and drink exhibition in England and marketing trip to Holland on behalf of his members. He pointed out that this would not have been possible without KEDS' support. The trip helped find new markets which will help exports next year.

The Managing Director identified two problems: First, F-PEAK has an image problem with exporters. Second, there has been a disagreement with HCDA over lack of cooperation.

He is very happy with KEDS and pointed around the room at posters and signs, all provided by KEDS.

He enumerated the services F-PEAK has received from KEDS:

- six exhibitions and trade shows attended out of Kenya, with financial support from KEDS
- payment of a major portion of the Acting Chief Executive's salary by KEDS
- provision of two computers and one copier by KEDS
- training of F-PEAK's staff to publish the newsletter - **Fresh Produce Exporters**.
- a KEDS financed F-PEAK's Executive Secretary computer course for financial assistance to publish the bi-annual magazine - **Horticultural Trade Journal**.
- a series of trade seminars. (Three in the past few months). Fifty people attended each time.

F-PEAK's budget for the coming year, is estimated at Ksh 5.4 million at least half of which will come from KEDS. The Acting Chief Executive feels F-PEAK cannot survive without KEDS this year - or in the next three years. In order to become sustainable more quickly, they will bring in associate members and look for other sources of income.

The key points below are a summary of eight interviews which illustrate the responses of association members, staff and leadership to these questions.

- KEDS has worked very successfully with F-PEAK and its members in delivering export services
- only a small percentage of members (F-PEAK) are involved in the association
- some criticize the organization (F-PEAK) as being too political
- KEDS' work in the areas of marketing information, technical assistance, selling and promotion, environmental (pesticides and fertilizers) regulations was mentioned a number of times as being outstanding. This has helped members in the area of exports
- recipients consider KEDS start up financial assistance for programs of great importance
- F-PEAK needs additional financing. This would enable it to expand and train additional staff and thereby serve members better. KEDS is praised for training the present F-PEAK staff
- there is concern over a possible split in the organization (flowers vs vegetables)
- KEDS' work has increased employment with F-PEAK members
- the six exhibitions KEDS has supported have produced results, but better training of participants is needed
- KEDS has furnished much needed computer equipment to F-PEAK and has trained staff in its use.

4.3.2 KENYA ASSOCIATION OF MANUFACTURERS (KAM)

The following interviews were held pertaining to KAM's - programs, services, organizational structure policies and performance as they relate to support provided by KEDS:

- 1) Chief of Party - KEDS
- 2) Association consultant
- 3) The Chief Executive - EPC
- 4) EPPO Division Chief - Ministry of Finance
- 5) Chief Executive Officer - KAM
- 6) Marketing Manager - Dawa Pharmaceutical
- 7) Chief Executive - Export Processing Zones Authority
- 8) A KAM Board member
- 9) Chairman - KAM
- 10) Managing Director - Gekins Exporters

Below are summaries of key interviews:

- **CEO - KAM**

The Chief Executive Officer stated that KAM has received a number of materials, training sessions and technical help from KEDS but put this aside to complain about their relationships.

He pointed out that though KEDS had sent his members to Trade Shows (Exhibitions), he did not know about the money being spent. He wants to be consulted on how much money is spent, where it is spent, on what projects it is spent, and how much is left over. He wants to be a partner and know everything and not be treated like a child.

To summarize his feelings he feels "KEDS does not cooperate" with KAM.

On a positive note, he feels that KAM's work with USAID on policy is "working beautifully".

The CEO is very interested in finding new sources of income to support his association and the consultant promised to return toward the end of the evaluation to discuss this subject with him or send him materials.

- **Marketing Director - Dawa Pharmaceutical**

Dawa exports prescriptions over the counter and wholesale. 33% of the company's production goes to export. Prescription goods represent the majority of export.

KEDS was of great help in supporting Dawa's export program - specifically for over the counter goods promotions.

KEDS supported export trips abroad - where promotion was done on radio, bill boards and through advertising on shopping bags passed out at Exhibit Booths at Trade Shows abroad.

Dawa is not active in KAM but does receive information on services, duties, technical and government information.

Managing Director - Gekins Exporters

Gekins produces 'kiondos' (hand bags) made from baskets improved with leather. It is a small to medium business that employs nearly all women depending on time of year. The number of women employed varies, and exports go to Spain, France and Italy.

KEDS and KAM sponsored an "Export Financier Workshop" for 120 members. It was very well received and the Managing Director of Gekins praised it for being very helpful.

The Gekins Company published a very handsome color brochure that is effective in increasing exports. KEDS assisted with photographs and printing. Gekins exports are up by 10%, as is the employment of women.

A major industrialist and KAM Board member

Pertaining to KEDS and KAM the industrialist was quite complementing. He said KAM is for the small members.

He was very clear on how KEDS should measure success - what did it do, for whom, what is the situation before the help and did you measure what really happened as a result? Did KEDS really measure what came out of export trips?

As exporting is very complicated and expensive, it is not sure that helping the small, inexperienced exporter really works.

He has served 12 years on the Board of KAM. He stated that many do not feel they are getting their money's worth. Reforms went through because of the World Bank and IMF, not KAM.

His real complaint was about poor quality economic papers. There is an urgent need for improvement.

When economic reports and recommendations come out, the all-important question is what was the result? Results must be pushed for KAM does not have the clout to get results.

He goes to sector meetings on export but they always seem to talk about the sea port's problems.

The feeling was expressed that KAM is not dealing effectively with key export issues. On the other hand, in the area of government relations, they have done a good job. Members may not support KAM as much as earlier because a number of key areas have improved.

KEDS has been helpful to KAM in its quality control program and is assisting with an instructor for a course in productivity, measuring and control.

Overall it was felt that KAM needs assistance in strengthening its ability to influence government policy.

Several of those interviewed alluded to the fact that KAM has changed in management style. It is now low profile. There is good management and leadership, but less money. The staff need training.

Some members in KAM appear to want to go back to protection while they should be working with the Chamber of Commerce and FKE in putting the reforms into law. Many members complained that KAM does not work on issues as it did previously. KAM should have noticed the pressure for counter reform. Some top executives resent being part of KAM's collective voice and prefer to keep their contacts with important government officials to themselves. Some businesses do not want to share secret information with their competitors as they feel it may cause them to lose their competitive edge.

Summary of interviews:

- KAM is recognized for the excellent influence in the past in the area of government policy reforms
- a large percentage of KAM's members are in export; therefore many of its services are directed towards exports
- there is a growing segment in KAM membership that wants to reverse some of the liberalized reforms with regard to tariffs, duties etc
- most reforms are only administrative measures, not laws, therefore KAM should now work to press for laws in these areas

- KAM lacks money, has a low profile, and has less focus on the important issues
- KAM was criticized for the poor quality of position papers submitted to the GoK
- many of KAM's executive committee members have direct power and contacts with the government and do not need KAM
- some members complain that KAM should articulate policy issues for government as it did in the early 1990s
- KAM staff states that KEDS does not give them enough detail about budget, programming and spending
- KEDS was praised by KAM members (firms) for the variety and quality of assistance
- KAM's staff have detailed a number of KEDS workshops and service that have served KAM very well.

4.3.3 HORTICULTURAL CROPS DEVELOPMENT AUTHORITY (HCDA)

The HCDA is not a voluntary association but is a quasi government agency, and therefore most interviews conducted did not pertain to HCDA.

Interviews were held with:

- Chief of Party - KEDS
- Acting Chief Executive - F-PEAK
- A representative of the Hanns Siedel Foundation
- The Managing Director - HCDA.

HCDA is also mentioned in interviews conducted with F-PEAK and KAM.

The Managing Director , reviewed some of the services of HCDA as follows:

- dissemination of market information and export statistics to investors, exporters and producers
- organization of small scale growers for production and marketing of export crops
- advising growers, exporters and processors on how to plan production based on market/forces
- advising growers on use of planting materials and assisting them to identify markets
- training farmers on use of pesticides
- advising producers and exporters on proper production techniques.

He spoke highly of KEDS and listed a number of ways it has supported HCDA such as:

- furnished key office equipment to support programs
- furnished manual on export crop promotions

- helped train technical staff on change in technical requirements for exports
- funded initial production of a promotion manual with photographs.

KEDS is also setting up a database system which will tell one everything one needs to know about planning. The program will help producers respond to market and consumer needs, and it will enable members to respond to the market.

Some of the problems of the producers are high market cost; air freight for example, constitutes 50% of costs which can be absorbed only by better quality and volume. He discussed the need for containerization to and from sea ports to market less perishable fruits and vegetables. "Timing is everything" he stated.

KEDS has helped the producers' ability to export with firm level assistance, thus helping the farmer respond to the consumer. Market information and technical workshops were a primary tool.

The Managing Director said there is much focus on trade fairs and exhibitions. For three years, a number of representatives would go to a fair and come back with big talk and few sales. He does not feel exhibition participation produces as much as it should. The problem is that follow-up is poor. Producers should be advised on how to sell at an exhibit and how to follow-up.

In conclusion, he said KEDS did a fine job in giving resource materials with market information. Hopefully, this material will be utilized.

Summary of Interviews:

- KEDS was commended for manuals on export crop promotion which it had supplied and staff training on technical requirements for exporting.
- KEDS furnished key computer equipment to support HCDA programs
- KEDS is setting up an important statistical data base program on the HCDA computer that will help members in export planning to respond quickly to consumer needs
- KEDS has helped exporters with firm level assistance
- there is much emphasis on trade fairs and exhibitions. Participants should produce more sales through better follow-up. Participants need more training on presentation exhibitions and how to sell
- HCDA has been criticized for not being more cooperative with F-PEAK

4.4 TRADE SHOW PARTICIPATION

Trade shows and exhibitions are an excellent marketing tool and are increasing Kenya's exports. Participation and follow up to exhibitions, however, is a very sophisticated business. It takes:

- well trained participants
- products presented in an appropriate way
- selection of participants must be done based on knowledge and talent, not politics

- follow up must be sophisticated and continuous.

The indicator of KEDS impact in trade fair participation of the representative business associations, is contained in Appendix V. While it is clear that the intention of the project designers was to shift the Kenyan trade fair program from the public to the private sector, the relevance of this indicator may be questioned insofar as the timing, duration, and location of trade fair/exhibition participation is preferably the decision of the management of individual exporting firms.

Nevertheless, KEDS Technical Team has exceeded the target of 15 trade fair/exhibition participations to date; which is two years earlier than originally anticipated.

4.5 ANALYSIS

Based on the above, KEDS has done an excellent job in fulfilling or exceeding its requirements and goals. Of equal importance, KEDS has set in motion a system and methodology by which programs can be evaluated and measured. Most of its export training and information programs as illustrated by many of the titles in the bibliography have been practical and resulted in the ability of the participants to comply with requirements and thereby export successfully.

One can consider the work carried out up to this point, in many ways, as "testing the ground". It was ascertained that associations in Kenya are the proper vehicles through which to work i.e., they can wholesale or multiply effort and communication. When appropriate, however, they can be bypassed and service can be taken directly to the firm or its employees.

Based on the interviews undertaken, it is the assessment of this evaluation that associations in Kenya are, in almost all cases, in an embryonic state. They are not mature. They do not have the necessary services, activities, financing, membership, leadership, staff or member participation. Work must be done to "build" associations. The first step is having a dedicated voluntary and staff leadership to determine what the industry needs and design a program of services and deliver it. The second step is to design the ways to raise money to pay for it. Finally, a competent management staff must be recruited and trained.

The business community in Kenya has not yet settled on the proper course for its future. Some want protection, some open markets. Now is the time for business leadership to step forward with a united voice to encourage government strongly to put aside politics and vested interests and let the free market work. To ensure that the most appropriate and intelligent message is sent and received by government, the associations must improve and focus this message to government and follow up with vigor and power.

4.6 CONCLUSIONS AND RECOMMENDATIONS FOR INSTITUTIONAL SUPPORT TO TRADE ASSOCIATIONS AND GOVERNMENT AGENCIES

KEDS has met or exceeded the objectives as they pertain to KAM, F-PEAK, and HCDA.

KEDS has an excellent reputation among those dealing with the export sector in general. It has provided needed and well-received services and has added to the admiration Kenyans have for USAID.

It is our conclusion that the following areas need to receive more focus or attention:

- KEDS staff need to improve its communications with KAM staff

- a training and orientation program should be established for participation in exhibits and trade shows held outside Kenya
- the associations in this program and others that may be considered in the future need management and financial assistance. A specific program should be set up in this area.

We therefore have the following recommendations:

- 1) If KEDS support to trade fairs is to make an impact, KEDS must provide pre-trade fair training and post trade fair follow-up. It is recommended that KEDS support of trade fair participation be focused on these areas.
- 2) To improve the quality of economic and other communications to government, it is recommended that the ability of KAM to address policy issues effectively in writing and in presentations be enhanced. Resources from KEDS should be dedicated through short term technical assistance and/or in-country or overseas courses for selected KAM staff.
- 3) A training program should be established for trade associations staff to equip them to manage these associations professionally and thereby serve their members' needs. This and training of volunteers are the only ways to build strong associations in the future.
- 4) Chairpersons, Board Members, and all elected leaders need to know what is expected of them in their associations. It is recommended that a basic training program be made available for them.
- 5) To build business support for associations and to encourage not only membership but also participation in a national program which could be replicated in all of the appropriate countries of Africa, USAID should support through KEDS and other relevant projects, training which would center on the "value of associations for business and the nation".
- 6) FKE should be considered for increased cooperation with KEDS in the future.
- 7) In order to give priority to trade associations that may have the greatest potential for impacting the growth of the economy, we recommend structured Donor Guidelines for Assisting Trade Associations as follows:
 - a) The association's constitution should reflect that the membership of the association is made up of corporations or individuals from the private sector who work freely in the economy of the nation. This could exclude quasi government organizations from this program
 - b) The association's current or potential members should be corporations or individuals from the same line of trade or business. This could eliminate social clubs and heterogeneous organizations
 - c) There should be a sufficient number of corporations or individuals in the nation or region to make the existence of the association capable of making a measurable impact on the growth and property of the members and therefore the national economy and its problems

- d) The trade or businesses of the members should have a sufficient number of employees to have growth of the company reflect growth in employment.
- e) The association's membership must require a variety of services and programs to make membership in the association attractive to a large percentage of the industry.



POLICY SUPPORT - FINDINGS

- 1 KEDS Project policy reform targets fulfilled through facilitation by export policy advisor**
- 2 KEDS Project Policy studies\seminars\workshops effective**
- 3 EPPO as a trade policy analysis unit failed**
- 4 KEDS Project Advisory Committee not very effective**
- 5 Capacity building and institutionall development support to EPPO ineffective**



POLICY SUPPORT - RECOMMENDATIONS

- 1 KEDS Project public sector component should not target policy implementation**
- 2 KEDS Project policy involvement should focus on wider economic policies and trade regulations**
 - Investment incentives**
 - Regional markets**
 - Exchange rate management**
 - Restrictive trade practices**
 - Customs regulations and procedures**
- 3 Shift KEDS Projects advisory role to EPC and associations with short-term interventions**
- 4 KEDS Project Advisory Committee should move to EPC**
- 5 Capacity building and institutional development should target EPC and trade association staff and leaders**

5.1 INTRODUCTION

The Public Sector Component of the KEDS project was set up to:

- provide technical assistance to the export incentives program through the EPPO in the Ministry of Finance
- assist with training and identifying commodities for export in an effort to improve the trade policy environment
- enhance trade policy analytical capabilities at EPPO in the Ministry of Finance
- assist the EPPO in institutional development.

EPPO was formed as a trade policy unit which would push for policy reforms through:

- 1) Facilitating dialogue between Private Sector (mainly trade associations) and the GoK.
- 2) Implementing the Duty, Value Added Tax Remission (DVR) Scheme.

The expectations for the KEDS public sector component's output were outlined in the Project Paper as:

- a functional EPPO as the key unit in the Ministry of Finance export promotion drive
- a staff well-trained in export trade policy
- a reduction in government controls from licensing simplification to import and export liberalization
- increased export incentives provided by the government
- a functional dialogue between the government and the private sector
- coordinated export-related technical assistance.

The degree of fulfillment of these expectations forms part of the basis of the mid-term evaluation of the KEDS' public sector component. The policy environment and reforms between 1990 and 1994 are laid out.

In evaluating the expected output of the public sector component, the focus will be to assess KEDS ability and effort aimed at effecting policy changes and facilitating private sector/GoK dialogue. There are, however, two problems that make this task difficult:

- the pressure for policy reform in the period was the result of the efforts of many players; the World Bank and IMF being the major players. This, however, made the KEDS project, especially the policy part easier to implement. There was a changing environment and seeking policy reforms became easier. The level of KEDS project involvement is thus difficult to assess
- the economy was undergoing a serious crisis which had both political and economic dimensions. To come out of this crisis, some policies, at least those that would promise economic growth had to change and coupled with donor conditionalities had to be met.

5.2 POLICY ENVIRONMENT (1990-1992)

The period 1990-1992 encompasses a crisis period in Kenya, and with it an extreme anti-export bias. An important set of policies contributing to this trend were the exchange controls, import tariffs and quotas and import licensing procedures. These were made even more restrictive due to the cutback on aid inflows to Kenya by its major donors from the end of 1991.

This section outlines the prevailing policies, starting with those that inhibited export growth and ending with those that were perceived as incentives to exports:

- first, were import licensing and tariff procedures. These policies encompass both regulatory and discretionary procedures that made the import schedules cumbersome to administer and entailed very high levels of effective rates of protection. This made production for exporting firms that relied on imported inputs unprofitable because of the cost of inputs, delays in processing licenses and the costs involved in dealing with rent-seeking administrators
- second and related to import licensing procedures, were exchange controls, which took various forms, ranging from foreign exchange allocations to import categories (schedules), business travel and surrendering of all export proceeds in foreign currency to the Central Bank of Kenya.(CBK).

Even when Foreign Exchange Bearer Certificates (Forex-Cs), were introduced in this period, they led to market distortions (due to scarcity of foreign exchange) and a dual exchange rate. These broad policies inhibited production for export by making exports uncompetitive internationally especially, non- traditional exports (NTE)

- third, export taxes of 20% levied on eight tariff items was a disincentive for export production
- fourth, the export financing legislation and regulatory environment was not conducive to export development. The Export Credit Guarantee Scheme and the Export Credit Insurance Scheme existed only in paper and not in practice. These could not facilitate the development of an export "culture" and made exporting a risky business for small and medium scale exporters. Ideally Export Credit Insurance should have been a private sector initiative, but with the absence of an enabling environment and GoK encouragement, it could not be set up for the benefit of exporters
- finally, there were CBK restrictions on domestic borrowing for wholly or majority foreign owned business ventures. This robbed firms of flexibility in raising short-term working capital in the domestic economy.

These policies and controls created an environment that made it unprofitable to produce for the domestic market not to mention the export market.

Even though there were these broad-based controls and disincentive regimes that militated against export growth, some export incentives were put in place. Their impact, to a large extent, was minimal to export sector performance for the following reasons:

- first, the Export Compensation Scheme (ECS), established under the provisions of the Local Manufacturers (Export Compensation) Act of 1974. This provided for cash compensation in respect of duties paid on imported inputs used in the production of exports in certain qualified processes of goods categories.

The administration of this scheme became a disincentive as a result of delays in payment, definitional ambiguities of the qualifying goods, lack of incentive value and restrictive eligibility requirements. Furthermore, most firms that gained from the ECS did not need the compensation anyway and they treated it as a windfall gain. It was thus, never a significant incentive to exporters or to potential exporters

- second, the Manufacturing under Bond (MUB) which was implemented in 1988. This scheme was open to firms producing wholly for the export market. It excluded firms producing less than 100% for export. Furthermore, those joining the MUB scheme were required to have identified in advance the market for their output
- finally, the Duty/Value Added Tax (VAT) Remission (DVR) Scheme, was launched in 1992 as a major incentive to export growth. In this scheme, exporters receive their imported raw material inputs free of duty and VAT at the time of importation. It, however, has not had the immediate impact expected. It has been difficult to administer, and exporters experience delays in receiving their remissions which has greatly reduced its incentive value to exporters.

Conclusion

The policies pursued up to around 1992 were extremely anti-export. The economy was in a depression. Policy reforms had to take place to change the course of the economic downturn. Trade policy reforms held the most promise for stimulating economic growth. This is the environment that existed at the time the KEDS project was initiated.

5.2.1 Policy Changes (1993-1994)

The incentive structure and an anti-export bias introduced by the import-substitution policies for industrialization could not sustain an export-led growth. This called for an overhaul of the policies that inhibited export growth. The new environment equated industrialization to export growth if overall economic growth had to be stimulated and sustained.

Policy reforms in the 1993-1994 period include:

- 1) The top tariff rate was reduced to 70% in 1992 and again further to 50% in 1993. After three months, however, the Central Government had a strain in its fiscal requirements and in September 1993, raised the top tariff rate to 62%, and then to 45% in June 1994. The tariff bands have also been restructured from nine to six. This reduced the effective rate of protection and cumbersome tariff layers.
- 2) The dual exchange rate system was replaced with a free floating exchange rate. The exchange rate depreciated rapidly thus improving export business and attracting much capital inflow.

At this time, however, a great deal of capital inflow was donor aid. With a depressed economy, this led to an over-accumulation of foreign exchange reserves, and the CBK was at the time a residual buyer. This over-accumulation led to an appreciation of the shilling, greatly hurting exporters.

The exchange rate has, since the last half of 1994, stabilized even though at a stronger level. In the course of this study, however, the Kenya shilling has again depreciated and then stabilized.

- 3) The introduction of retention schemes for exporters in 1993, their abolition in May 1994, and removal of restrictions on use and borrowing of foreign exchange has greatly increased the flexibility of exporters in planning their foreign exchange expenditure requirements. This implies a complete liberalization in foreign exchange rate transactions.
- 4) Import licensing required for all types of imports was abolished in May 1993. The restrictions on imports were a major constraint for exporters and created room for rent-seeking activities. This policy, together with foreign exchange allocations were the most pervasive factors in hindering export growth, industrialization and investment in general in Kenya.
- 5) The ECS was abolished in September 1993. This scheme had been subject to increased abuse as a result of the discretionary powers given to the Ministry of Finance. The abolishment of ECS has given a chance to improve the DVR facility to provide a realistic incentive alternative to exporters.
- 6) Other disincentives such as export taxes and restrictions on domestic borrowing by foreign owned firms have been abolished. Areas of export financing and insurance schemes, monopolies in transport facilities and inefficiencies are being looked into in an effort to improve the operating environment for exporters.

Conclusion

The most important trade policy reforms took place in the 1993-94 period. Those policy reforms include dismantling of import licensing, exchange controls, export taxes; introduction of the DVR scheme and the abolition of the most abused Export Compensation Scheme (ECS). By this time, the KEDS project was in operation and can thus be associated with the success of these policy reforms.

The main gap that remains is streamlining these policy reforms so that they can work smoothly without conflicting with other goals. Exchange rate management as export policy is a prime example that needs streamlining, because it is a major price indicator for the stability of the economy and export growth.

5.2.2 Policy Framework Paper - Agreement 1994

In the Policy Framework Paper of 1994 (PFP) agreed upon by the World Bank and International Monetary Fund (IMF) with the Government of Kenya, it was realized that economic growth would depend on strong export growth. In this regard, support policies to achieve this goal would be facilitated by liberalization of the foreign exchange and trade system and stabilized exchange rates.

The reforms agreed on in the PFP for the period 1994 - 1996 were outlined as follows:

- further liberalization of trade and investment regulations
- economic integration with the Preferential Trade Area (PTA)
- further lowering of the tariff structure to achieve a maximum tariff of 30%
- removal of any remaining export taxes by July 1994 and abolition of export licensing except for those goods that threaten security, health and the environment
- implementation of the PTA harmonized transit charge on a reciprocal basis by July 1994
- maintenance and expansion of the DVR scheme administered by the EPPO

- enhancement of the infrastructure program through the restructuring of road networks, Kenya Railways, Kenya Ports Authority, the Kenya Posts and Telecommunication Corporation and water supply.

Most of these policy agreements in the PFP of 1994 have been accomplished. Infrastructure facilities, however, have not changed. While most policies have been announced, they have not been implemented.

5.2.3 Export Promotion Programs Office

The public sector component of the KEDS Project has focused on three main areas:

- 1) the EPPO institutional development and export policy reform,
- 2) seminars/workshops to inform, educate, and sensitize exporters and
- 3) special studies on the impact of policies and the need for policy reforms that would enhance export growth.

The public sector component aimed to assist EPPO in its effort to create and improve the enabling environment for exports, enhance dialogue with the private sector and promote non-traditional exports (NTE).

The original design of EPPO was:

- to be a high-level department in the Ministry of Finance
- to deal with trade policy and export incentives
- to deal with trade policy analysis
- to influence trade policy reforms
- to coordinate trade policy and export incentive designing by other departments in all ministries.

This was agreed on between GoK and the US Government in the Agreement signed in July 1991.

Secondly, EPPO would be headed by a senior government official at the level of Deputy Secretary and fully staffed with at least three chief economists or specialists in trade policy, export promotion and export incentive programs.

The operation of EPPO has not followed these guidelines. As a result of the requirements of the civil service reform exercise, it was not possible and a department in the MoF was not established.

EPPO was thus established as a division within the Fiscal and Monetary Affairs Department, (FMA). EPPO's perceived role as a major department to influence and coordinate policies was thus diminished.

EPPO's level of staffing has been even more disappointing. It is to be noted that the FMA department has budgetary propositions, fiscal and monetary policies as its priorities while trade policies look as if they are side issues. In fact, its present pre-occupation is the DVR scheme.

Even if EPPO retained the functions of policy analysis and possibly advice, it does not have the manpower required to do these jobs. In KEDS Advisory Committee meetings, it was, on several occasions, brought to the attention of the meeting that internally trained EPPO staff were transferred without regard to EPPO requirements.

It should be noted that KAM has complained, on several occasions, about the delay in receiving Duty/VAT remissions. EPPO blamed the delays on lack of staff.

It was not until February 1995 that a Deputy Secretary was appointed to head the EPPO Division, and three economists were transferred into the division. They, however, remain under a department pre-occupied with fiscal and monetary policies.

When EPPO was formed, it was answerable to the Economic Secretary. With his retirement in January 1995, his position merged with that of the Financial Secretary; the EPPO now reports to the Director of FMA. It is, thus, far removed from the position of being recognized as a trade policy reform unit and will concentrate more on the DVR scheme.

Conclusion

The original design of EPPO as a high level department in the Ministry of Finance to coordinate trade policy reforms and analysis has not been implemented. EPPO has become a Division of Fiscal and Monetary Affairs. The head of EPPO was appointed in February 1995, four years after the agreement. Thus, the original role of EPPO has failed. It is not in a position to effect policy reform; its main activity is to operate the DVR scheme for exporters.

5.3 KEDS PROGRAM OF ACTIVITIES

The evaluation of the KEDS program activities is guided by questions from the KEDS Mid-Term Evaluation Project Paper:

<p>5.3.1 <i>Since Project implementation began, how has the macro-economic environment for export-led growth changed? What is KEDS contribution to the changes? What Key changes would significantly improve the overall environment for export?</i></p>
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The preceding subsections have outlined the policy environment at the time of KEDS inception and policy changes between 1993 and 1994. It was argued that interaction of key players advocating policy changes and with the economy in a crisis, policy changes would inevitably evolve. KEDS contribution is thus difficult to assess.

KEDS project contribution, however, is most significant in the area of initiating studies. Key policy studies, through private and public sector dialogue, made the environment more conducive to policy change. Between 1992 and 1995, there were 27 special studies and 9 policy seminars and workshops based on these studies. A table of the studies is annexed to this report.

These studies served the purpose of being informative, while including the private sector perceptions of how the export environment should change and thus shaped the direction or implementation modalities of the policies already agreed on. To this end, KEDS effectiveness in the policy study area is commendable.

KEDS effectiveness also touches on its policy advisory role, training and staffing issues of the EPPO. Staffing has remained inadequate at the EPPO, so that those economists who have been given basic computer training have been deployed in other departments, while the goal of external training in policy issues has not yet started.

There is, thus, a multiplicity of factors that has made the KEDS project helpless in terms of fulfilling its mandate in shaping EPPO as a trade policy department linked to both other ministries as well as the private sector.

This failure has come about because the GoK did not honor its part of the agreement, until February 1995. In February 1995, a Deputy Secretary was appointed to head the EPPO division, within the department of Fiscal and Monetary Affairs. In addition, EPPO has now three economists, two of whom are assigned to work with approvals and the database, while one is doing policy analysis work.

The staffing plans that have been approved include: 30 officers, a deputy secretary, 2 under-secretaries, at least 10 customs officers and 6 economists.

With the inadequate staffing of EPPO, the training component could not have been undertaken.

Conclusion

The macro-economic environment has changed and is more conducive to export-led growth than ever before. The KEDS Project policy studies, seminars/workshops and dialogue between trade associations and GoK influenced and perhaps, shaped policy reforms. There were 27 special studies and nine Policy Seminars between 1992 and 1995.

These are the areas where the KEDS policy component contribution is most significant, and KEDS project targets were met. There were, however, many players in this arena. The KEDS project was initiated when there was a conducive environment for policy reform.

The next basic question is: What changes would improve the overall export environment given that most policy changes have taken place?

This issue revolves around the speed at which policy changes (or reforms) are implemented, the speed at which the regulatory environment that exists before policy reforms is dismantled and the time it takes for the new policies to work - that is streamlining the administrative set-up.

In Kenya, the private sector looks at GoK policy reforms with suspicion; if there are no policy reversals, then the gap between policy announcement and implementation is quite wide, and this diminishes the incentive value of a policy reform. This is because most policy reforms involve knocking out some rent for people, who thus resist the implementation process. A good example here is the DVR scheme where the operations of EPPO in the DVR scheme seem to be coming under attack from the members of KAM.

In addition, new developments may change the policy focus and institutional needs for EPPO and the whole policy environment. For example, changes in economic policies in the region and the appreciation of the Kenya shilling will, no doubt, create the need for amended intervention.

These issues, thus, require new approaches and new studies to focus and guide policy direction. In addition, even when these trade policies have been changed to suit the demands of exporters, economy - wide policies still need to be worked on.

Perhaps this is why in the first KEDS Advisory Committee (KAC) meeting, October 1992, it was argued and recommended that the KEDS project needed to maintain sufficient flexibility throughout its life to take explicit account of new policy and institutional developments.

These new policies include the fact that exporters have to explore additional markets for their export. Since KEDS' purpose is to increase NTE, then the focus should be on regional cooperation and cross-border initiatives.

In addition trade analysis capability should document the effect of exchange rates on the export drive or in general the regulatory environment. This should signal the need for debate and dialogue to understand the pervasiveness of exchange rate management on export growth .

In KEDS activities, there is no mention of these issues that enlarge the market for exporters, change the regulatory environment or exchange rate management policies and no representation in technical committees formed to revive the East African Cooperation where advice from EPPO would be most valuable. Analysis of beneficial effects on these trade arrangements and exchange rate effects would have been welcome.

Second, the broader macro-economic policies should be addressed. Those policies that aim at removing constraints in production and increasing investment need recognition.

In spite of publicized investment incentives, few investors have been attracted, and the economy has remained depressed. A vibrant economy will no doubt have an active export sector. These are issues that, together with trade policies would stimulate growth and employment in the economy, and are important not to be sidelined in the KEDS policy matrix.

Finally, with the adoption of a floating exchange rate regime, the movement of the shilling against the hard currencies should have been addressed as a policy issue. There should have been proposals from EPPO on when GoK should intervene to prevent damage to the export drive, because a strong shilling in the long-run is not compatible with export growth. This is a policy area not addressed in the KEDS Project policy matrix. The role should not be to target exchange rate management but to act as a barometer in trade analysis and provide warnings about the adverse effects of exchange rate movements.

These areas of neglect may have contributed to the birth of a new lobby group fighting for the reintroduction of controls (mostly price and exchange/import controls). There are strong counter arguments from this group to support policy reversals which include: loss of income due to trade liberalization, loss of employment due to contraction of the industrial sector and reform of the civil service. GoK credibility in reforms is going down due to short term losses because reforms were carried out hastily to facilitate the resumption of donor aid. This should be clear because economic reforms in Kenya imply knocking out illegal economic rent.

Conclusion

Policies left out in KEDS Project policy matrix include investment policies, regional markets and exchange rate management. These policies together with their potential conflicts need to be addressed to provide an economic environment conducive to export-led growth.

5.3.2 *What role have EPPO and EPC played in promoting NTE? How has KEDS project enhanced or inhibited this role? What challenges do these institutions face? What can the project do to enhance their role in future?*

The Export Promotion Council (EPC) was established after the EPPO, and after the Kenya External Trade Authority (KETA) was disbanded. The EPC was established as a presidential council related to the Ministry of Commerce and Industry, where export promotion activities have traditionally taken place

The EPC was established in August 1992 to:

- help eliminate bottlenecks in export activities
- formulate market strategy
- identify export opportunities
- promote an "export culture"
- coordinate and harmonize all export promotion activities

So far they have tried to fulfil these objectives by identifying major constraints facing producers and then making appropriate recommendations to overcome these obstacles.

The EPPO, on the other hand, was established in the Ministry of Finance to:

- develop and reform trade policy
- create an enabling environment for export growth
- coordinate the departments in other Ministries involved in trade policy formulations
- study the effects of policies on export growth and
- operate the DVR scheme.

EPC is involved in marketing and creating awareness in marketing strategy and information systems, while EPPO, at least in its design is involved in policy reform.

Both these organizations have benefitted from the KEDS project, especially through policy studies and policy advice. While EPPO has been slow to get adequate staff, their role in the MoF has not been effective. On the other hand, EPC through some KEDS initiatives has coordinated trade fairs and exhibitions. EPC is, unlike EPPO, not hampered by a shortage of staff.

As stated previously EPPO has developed into a division in the Ministry of Finance that deals with the DVR scheme and its policy role has been greatly diminished in this new era.

This inflexibility, lack of manpower, and increasingly working under the directions of the Fiscal and Monetary Affairs department imply that EPPO will not have a major role to play in shaping the export environment, and will increasingly deal with exporters through the DVR scheme, while policy analysis is relegated to the background.

The most important future course of action for export growth will be the development of a marketing strategy for exports, development of information systems and sensitizing exporters. This market development exercise will make clear the obstacles that inhibit the proper functioning of an export friendly environment, and help to identify needs for policy intervention and manpower training.

These functions fall under the purview of the EPC, and can well be facilitated or assisted by private sector or short-term advisory interventions from the KEDS project, and the trade associations. This future role of export promotion activities (since policy reforms have already taken place) will thus be more focused and less duplication will take place.

Conclusion

Both EPC and EPPO have played a significant role in promoting non-traditional exports. EPPO has been less active outside the policy reform area. The EPPO has been less effective given its original mandate. Future manpower capabilities should be developed around the EPC and trade associations. EPC stands a better chance of institutional development than EPPO.

5.3.3 *Does Kenya have a viable trade policy? If so, should the project continue to focus on policy dialogue? If not, what are the gaps?*

To date, most of Kenya's trade policies have been reformed. These have been facilitated to a large extent by the recent liberalization of the economy. The gaps that remain are being worked on. They relate mainly to infrastructure, policy implementation, streamlining the administrative machinery, shaping the regulatory environment, and making the DVR scheme efficient.

This involves, for example, the smooth working of the DVR scheme, which to date is plagued by delays, streamlining pre-shipment inspection and verification activities and reducing the amount of paper work involved. These gaps in policy implementation should be handled by the trade associations linked to the EPC, and KEDS role should be to strengthen their manpower capabilities.

The economy-wide policies have been outlined, and are missing in the KEDS Project Policy Matrix. Beyond that the Kenyan export sector will require well-functioning customs and Value Added Tax Departments, port facilities, verification functions for the DVR Scheme, investment incentives (a "Real One-Stop-Shop" not a "One-Shop-Stop" as has existed) and an export financing credit guarantee and insurance scheme.

Conclusion

Dialogue between EPPO and EPC on one hand and the trade associations on the other is essential to facilitate policy implementation and the removal of the bureaucratic and cumbersome regulatory structures.

5.3.4 *To what extent have the project policy dialogue efforts influenced trade policy changes? What policy changes should the project focus on for the remaining life of the project?*

Policy reform advocacy has had so many players that it is difficult to ascertain how much one particular group may have influenced trade policy change. In fact, some of the pervasive policy changes took place when the KEDS project was still getting its bearings.

There are some notable studies and seminars, however, during this period that helped to shape and direct policy changes and promote dialogue. A list of these special studies and seminars are attached in Appendix IX. The seminars that were geared at promoting dialogue started in March 1993, and this is the time when most of the policy reforms took place.

The remaining issues have to do with implementation of policies and strengthening the capability of trade associations to lobby for the streamlining of policy implementation and the regulatory and administrative environment. It is now necessary to create capacity in these institutions to carry out special studies to show the direction of policies and to alert the GoK policy makers when policies have detrimental effects.

Besides the need for dialogue, they will have a capability to analyze policy effects on their clients. A good example is the recent luncheon of the KAM and the President. This is an example of high level dialogue.

As such, training becomes paramount, not only for the EPPO staff, but also for trade associations and the EPC staff. Beyond the trade policy environment is the economy-wide macro-economic policy environment. Even though the KEDS project may not focus on these wider policies at the policy advisory level, the export promotion public and private sector institutions should be made aware of them and lobby for dialogue to streamline them.

Conclusion

The future role of the KEDS Project in promoting dialogue lies in strengthening the private sector trade associations. This will involve capacity building through short-term training. Strong trade associations will lobby for policy dialogue or reforms in the future. It is in this way that sustainability of policy reforms can be enhanced.

5.3.5 *How effective is the KEDS Advisory Committee (KAC)? Is it serving the purpose for which it was established? If not, how can the project goals and objectives be enhanced by the committee?*

The KAC was established to review KEDS Project activities and make proposals from time to time for the direction of future work.

In addition, the KAC was supposed to ensure that policy recommendations were both prioritized and highly practical and based on a clear definition of issues.

The KAC was composed of key players in Kenya's export and policy development. The first meeting of the KAC was held in October 1992 chaired by the Economic Secretary. Its members were representatives from the trade associations, Central Bank of Kenya, EPZ Authority, Customs and Excise Department, EPPO, Ministry of Industry, Director of Fiscal and Monetary Affairs, Investment Promotion Center, USAID officials and KEDS, with KEDS Export Policy Advisor as the Secretary. The composition of KAC perhaps reflects the importance attached to export promotion activities, and this was an important committee to shape policy changes and the future course of action for the KEDS Project.

In all, since 1992, there have been seven semi-annual meetings. The seventh meeting was held in February 1995. Such seldom meetings makes it ineffective to review KEDS activities and offer direction. It has worked like a board of directors rather than carrying out close monitoring of the KEDS project.

Furthermore, KEDS project commenced in April 1992, even though the agreement was signed in July 1991. The first meeting of the KAC did not take place until October 1992.

By the seventh meeting, February 1995, the Economic Secretary had retired. The Financial secretary opened the meeting and appointed the Director of Fiscal and Monetary Affairs to head the KAC. As such, the original design of the KAC to be a high level meeting to direct policy change and to give direction to KEDS project activities has been greatly diminished. The Director of FMA was originally a member attending the KAC meetings.

Perhaps, the KEDS project should have established or moved KAC into the EPC, which has the blessing of the President, and whose meetings are more high level than the KAC. The EPC meetings involve permanent secretaries, trade associations and EPC Board of Directors. More frequent meetings would also have been possible.

Since policy issues have been sorted out, the next goal for KAC should be the promotion of policy implementation. Relocation to EPC to serve as a better link with export promoters would make for more hands on decision making. USAID goals however, were to target on the need for policy reforms. Now that policy changes have taken place, implementation lags and conflicts can be handled by trade associations.

Conclusions

KAC has been less effective due to the infrequency of its meetings, 6 months apart, and operating with the EPPO. At present its activities are interwoven with the Fiscal and Monetary Affairs Department. It would be the appropriate time to shift KAC to EPC, a Presidential Council on export promotion activities under the Ministry of Commerce and industry. It is also believed that monthly meetings would be more effective for guiding KEDS activities.

5.4 KEDS POSITIONING AS POLICY ADVISOR

The question asked in the statement of work with regard to the role of KEDS as a policy advisor is:

Given the functional responsibility of GoK ministries, should the project develop the trade policy analysis capability within the Ministry of Finance or the Ministry of Commerce and Industry?

When EPPO was formed, it seemed, at that time that it was necessary to have it located in the Ministry of Finance, where it is believed policy reforms take place. After all, the major inhibiting policies in export growth, Exchange controls, Import licensing and Export taxes; revolved around the Ministry of Finance.

The KEDS project thus targeted EPPO as a department, (but later became a division) where it would develop trade policy analysis capability. Since the project commencement, in April 1992, EPPO does not seem to have had adequate staff.

Training activities of the EPPO staff in trade policy analysis has not been effective since staff members have been transferred or opted to be transferred to other departments or resigned. After all, the EPPO staff are under a big and sensitive department and EPPO activities are thus not paramount.

This implies that the policy analysis capability should have been developed in an independent department that deals with export promotion issues and policies, and also linked to trade associations. The institution that comes close to embodying these qualities is the EPC. This department was formed in August 1992, after EPPO had already been formed, so EPPO was the natural choice at that time.

Given the bias of EPPO, and that it has never actually taken off in terms of policy analysis, and to avoid future high turnover of personnel, the policy analysis capability and advisory roles should be shifted to EPC in the next phase of KEDS project. Since EPC is a Presidential council, training activities and seminars/workshops will help to build a policy analysis capability. Working relations between EPC and the KEDS project have been good and have been geared to institutional development. Furthermore, the EPC has greater staff capability to carry out these functions than EPPO.

Furthermore, in the Treasury, when budget statements and proposals are being prepared, the Fiscal and Monetary Affairs Department is not likely to consider export promotion an important activity. Staff in EPPO are relocated to finalize budget proposals. This includes the KEDS Policy Advisor, who works under the Director of FMA Department. (This is the reality as is known in Kenya).

Besides the choice between the Ministry of Finance and the Ministry of Commerce and Industry, there is the issue of what new policies will form an agenda. The new agenda is likely to be the speed of policy implementation, administrative reforms and streamlining policies in areas of potential conflict.

Policy implementation and administrative reform has taken the center stage in EPC activities because the EPC is in direct contact with the trade organizations. Research in these areas can be performed by trade associations. (The Federation of Kenya Employers, FKE, is a strong policy oriented body which can be used by EPC and with the help of the other trade associations in contact with KEDS can build a strong policy analysis capability and input to the EPC). The EPC has the staff to handle these kinds of functions.

Finally, the original mandate of the KEDS Project was to target policy reforms, institutional support to facilitate trade policy analysis capability and strengthen trade associations to facilitate policy dialogue with the government. Policy facilitation and/or implementation and targeting the regulatory environment was not a major goal. The impact of such an endeavor is not measurable. It involves, for example dismantling the bureaucratic machinery and paper work in the formally controlled departments like the customs office. In addition, the weaknesses of the KAC may imply that it will not be an important body in the future.

The best option would therefore aim at strengthening the EPC and trade associations to lobby for policy facilitation and/or implementation and remove potential conflicts. For example, the de-monopolization of Kenya Air-freight Handling Limited, the Privatization of Kenya Airways, and the Provision of facilities for infrastructure have been agreed on, but what happens on the ground is different. Only a strong lobby group can push for implementation since policy has already been agreed on. This means that the EPC and trade associations can lobby to close the gap between policy reforms on paper and implementation or to streamline the administrative/regulatory environment.

Furthermore, the traditional policy advisory role in the MoF has been effected by academic heavy-weights aligned closely with the Economic Secretary, Financial Secretary and the Permanent Secretary. Most policy reforms that took place in the 1993-94 period were achieved through these high level contacts and team work.

Traditionally, the further an advisor is from this level of contact, the less effective the advisory role for policy reform is likely to be. This is what is happening to the KEDS project advisory role at the MoF. It has been relegated to the FMA Department as a Division, reporting to the Director. The director is under the Financial Secretary which illustrates that the KEDS project advisory role has been pushed further away from the top officials of the MoF. This implies that the advisory role will be less effective, but fortunately at present there are no burning policy reforms at stake.

Conclusions

The trade analysis capability of the KEDS Project should have been in the Ministry of Commerce and Industry. But EPC was formed when the KEDS project was already operational. Since the role of EPPO has been diminished, it is time to shift the institutional development function of EPPO to EPC. This will be more effective in export promotion and encouraging policy implementation. This calls for shifting the KEDS aspects of institutional development to EPC since EPPO is more geared toward the DVR scheme. The main function of EPC is export promotion and has the blessings of the President.

5.5 CONCLUSIONS

The policies pursued up to 1992/93 were extremely anti-export. The economy was in a depression. Policy reforms had to take place to change the course of economic downturn. Trade policy reforms were the most promising to stimulate economic growth.

The most important trade policy reforms took place in the 1993-1994 period. The policies include import licensing, exchange controls, export taxes, the DVR scheme and the abolition of the abused export compensation scheme.

The only gaps that remain are streamlining those policies to remove potential conflicts, eg, exchange rate management as an export incentive policy.

The original design of EPPO as a high level department in the Ministry of Finance to coordinate trade policy reforms and analysis has not worked. EPPO has become a Division of Fiscal and Monetary Affairs. The head of EPPO was appointed in February 1995, four years after the agreement. Thus, the original role of EPPO has failed. It is far removed from the position of effecting policy reform. Its main activity is to operate the DVR scheme for exporters.

The macro-economic environment has changed and is more conducive to export-led growth than ever before. The KEDS Project's policy studies, seminars/workshops and dialogue between trade associations and GoK influenced and perhaps shaped policy reforms. There were 27 special studies focussing on policy issues and need for trade policy reforms and 9 policy seminars between 1992 and 1993. There were, however, many players in this arena. The KEDS project was initiated when there was a conducive environment for policy reform.

Policies absent in the KEDS Project policy matrix include investment policies, regional markets and exchange rate management. These policies together with their potential conflicts, need to be addressed to improve the economic environment conducive to export-led growth.

Both EPC and EPPO have played a significant role in promoting NTE. The EPPO has done better in the policy area while EPC has been active in trade fairs in close association with Trade Associations. Future capabilities should be developed around EPC and trade associations. EPC stands a better chance of institutional development than EPPO.

The future course of action should be dialogue between trade associations and the GoK together with EPPO and EPC. This will facilitate policy implementation and streamlining the administrative machinery.

The future role of the KEDS Project in promoting dialogue lies in strengthening trade associations. This will involve capacity building through short-term training.

KAC has been less effective because of infrequent meetings and operating under the EPPO. At present, its activities are interwoven with the Fiscal and Monetary Affairs Department. It would be appropriate to move KAC to EPC, a Presidential Council under the Ministry of Commerce and Industry.

The trade analysis capability of the KEDS Project should have been in the Ministry of Commerce and Industry. EPC was, however, formed when the KEDS project was operational. Since the role of EPPO has been diminished, it is time to shift institutional development to EPC. This will be more effective in export promotion activities and policies. This is its main line of activity and has Presidential approval.

5.6

RECOMMENDATIONS

- 1) KEDS project initiated or supported studies have been effective in promoting dialogue and advocating policy reforms. In this regard, trade association capabilities should be strengthened by the KEDS project to initiate future studies in close cooperation with EPC and EPPO.
- 2) Institutional support for EPC and the trade associations will support lobbying for change in the regulatory framework that hampers export growth in the future. In addition any conflict in policy reforms that is detrimental to export growth can be addressed.
- 3) The remaining gaps in policy reforms involve economy-wide policies, such as investment incentives, regional market integration and exchange rate management. KEDS advisory role should be short-term in nature and directed through the EPC and trade associations, especially KAM. Exchange rate management here does not imply policy change or policy target but rather trade analysis to show the effects of exchange rates on exports, especially when currency appreciates.
- 4) The remaining mandate of the original KEDS project in the public sector component is training EPPO staff. This should be refocussed to the EPC to help build capacity in a council which deals solely with export promotion activities. These training activities should be in-country, short-term in nature and focused. Where necessary, overseas short-term training could be undertaken. The training activities should also target trade associations, such as KAM, in policy analysis.

- 5) Policy implementation and the regulatory environment was not the original goal of KEDS project public sector component. The KEDS advisory role at EPPO is thus redundant. Any future advisory role should be short-term in nature and focused on EPC. Advisory assistance to EPPO should take place only if a specific need is identified. A strong EPC and strong trade associations (KAM, FKE, and F-PEAK) would be able to influence policy implementation more effectively. If needed, short-term assistance could be extended to EPPO.

In addition, the KAC should be shifted to EPC, although its composition need not change. It should meet monthly, especially when the policy implementation and economic environment is changing rapidly.

CONTRACTOR AND USAID PERFORMANCE**6.1 CONTRACTOR PERFORMANCE**

Certain aspects of the division of labor will need to be revised if the recommendations for adjustment of continued support in a possible extension period are adopted. Job descriptions should be amended in line with shifts in project emphasis.

Q i: "Did the contractor mobilize the team to the field as scheduled? If not, to what extent has this delay affected project outputs and expected impact?"

The contractor mobilized the team as scheduled. Delays in project implementation resulted from the need to wait as policy reforms were put in place, the carrying out of studies and the development of the criteria for firm level assistance.

Q ii: "Did the contractor provide the same equally qualified personnel as proposed in the technical proposal. Is the composition of the technical team appropriate? What suggestions, if any, would you give regarding the team personnel?"

The same quality personnel was provided as proposed in the Technical proposal. One expatriate advisor was replaced after two years. The replacement is at least as well qualified as the original advisor. Project management now seems to have found a good rhythm with a clear division of labor.

Q iii: "Did the contractor deliver commodities and other technical services as per the implementation plan? How effectively were these activities carried out?"

Commodities and technical services have been delivered with a time lag as described in Q i above. As the experience and knowledge of the Kenyan environment has deepened and contacts with the key players grown, activities have been carried out in an increasingly effective manner.

Q iv: "Has the contractor retained the technical team since the project inception? If not, to what extent have the project goals and objectives been compromised by changes in key personnel under the contract?"

Please see the reply to Q ii above.

Q v: "Is the division of labor, roles, and responsibilities of team members clearly defined under the contract?"

The current team has clearly defined roles and responsibilities as was demonstrated in interviews and their support to the evaluation team.

Question vi: "Considering sustainability and capacity building issues, should the DAI contract be extended, subject to the availability of USAID funds? If so, how long and at what level of effort?"

The issue of sustainability is related to continued growth and expansion of Kenya's exports. Support to the growth and strengthening of institutions needs to be long term in nature. This evaluation has identified significant areas where there is still work to be done to increase the ability of the Kenyan private sector to export. To provide support to those areas requires both more time and funds than are available up to March 1996. In addition, the skills mix of both long and short term advisors needs to be re-assessed in line with the amended functions of the project.

If USAID and DAI agree to a redirection of the project in line with the findings and recommendations of this evaluation, there is justification for an extension of the project for an additional two year period.

6.2 USAID PERFORMANCE

What role has USAID played in providing management and programmatic support to the KEDS project? How has the interaction between USAID and DAI technical team enhanced or inhibited project performance? How could USAID improve its contribution to the achievement of project goals and objectives?

The team has reviewed the files and reports of USAID/Kenya relating to the KEDS project. A great deal of work has been done to follow the project and to make adjustments as needed. USAID/Kenya has participated in many of the workshops arranged by KEDS and made a significant contribution to policy dialogue.

USAID/Kenya has been committed and diligent in its management and support of the KEDS project. There are open, formal and informal lines of communication between the staff of the Private Enterprise Office and the KEDS advisors.

For the future, it would enhance the ability of the USAID officers involved with the project if they are able to spend additional time (at least half a day per week) in formal and informal interaction with key players in GOK, associations and private firms. This would provide a broader overall context in which to assess the achievements and impact of the KEDS project.

6.3 CONCLUSIONS AND RECOMMENDATIONS

6.3.1 Conclusions

- DAI and USAID have performed to or above the standards required
- there is still a great deal of work to be done in developing sustainable non-traditional exports in Kenya
- business skills to enhance the sustainability of association services may not be readily available in the DAI contract portion of the KEDS umbrella project
- changes in the economic environment in Kenya since the inception of the project require substantial amendments in focus if the project is to be implemented beyond 1996.

6.3.2 Recommendations

- amendment of the KEDS project should be undertaken to sustain and institutionalize export services within Kenyan organisations
- expertise to support the sustainability of business associations may need to be a separate component under the KEDS umbrella project
- a decision regarding an extension of the DAI contract after 1996 should be made as soon as possible to allow USAID/Kenya and DAI to determine the scope and range of future activities.

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

The previous sections of the Mid-term Evaluation Report contain the assessment, conclusions and recommendations for the three key components of the KEDS project:

- 1) Firm level assistance - EDF component
- 2) The trade associations component
- 3) Public sector component.

In addition, there is a summary of the conclusions and recommendations regarding contractor and USAID performance. A number of key recommendations have an overlapping or rather complementary focus.

A summation of the main conclusions and recommendations is provided below:

7.1 FIRM LEVEL ASSISTANCE - EDF

Conclusions

- 1) The original macro-economic goals, objectives, and design of the Kenya Export Development Support (KEDS) project as outlined in the Project Paper (PP) of June 1991, have largely been achieved or have been overtaken by policy changes of both the Government of Kenya and USAID.
- 2) The Export Development Fund (EDF) component of the KEDS has performed satisfactorily and has exceeded all contractual obligations and targets.
- 3) A survey of a cross section of private sector enterprises who have received assistance from the KEDS/EDF, have expressed strong satisfaction with this risk sharing support in their new venture export development activities from USAID.
- 4) The horticulture sector in Kenya, especially small and medium size growers, are facing a crisis in maintaining a presence in the key markets of the European Union, due to tightening of quality assurance and health regulations.
- 5) Exports to the EU have declined while exports to the countries of the region have increased dramatically.

Recommendations

- 1) The KEDS/EDF has now been exhausted, and consideration should be given for a major replenishment (at least US\$1.5 million) to allow expansion and deepening of the catalytic technical and financial support to private enterprise export development efforts in Kenya.
- 2) USAID through KEDS project should consider enhancing resources to the horticulture sector; possibly through the cost-sharing of feasibility studies for the establishment of pilot commercially-oriented "outgrowers schemes".

7.2 THE TRADE ASSOCIATION COMPONENT

Conclusions

- 1) KEDS has met or exceeded the objectives as they pertain to KAM, F-PEAK and HCDA.
- 2) A training and orientation program should be established for participation in exhibits and trade shows held outside Kenya.
- 3) The associations in this program and others that may be considered in future need management, leadership and financial assistance.

Recommendations

- 1) KEDS must provide pre-trade fair training and post-trade fair follow up.
- 2) KAM needs staff training or consultancy to improve quality of communications to government.
- 3) Training of staff and volunteer leaders should be instituted.
- 4) Prior guidelines for assisting associations should be established.
- 5) FKE should be considered for increased cooperation with KEDS.

7.3 PUBLIC SECTOR COMPONENT

Conclusions

- 1) KEDS project's initiated or supported policy and sectoral studies have been effective in promoting dialogue and advocating for policy reforms.
- 2) The remaining gaps in policy reforms deal with economy-wide policies: the investment incentives, regional markets and exchange rate management.
- 3) Training EPPO staff is no longer a priority. Four years after KEDS project agreement it does not have adequate staff.
- 4) Primary policy reform goals of USAID facilitated through the KEDS project have been achieved. Further USAID support in this area should be directed toward building capacity in the voluntary business and trade associations to advocate for change in policy and regulations affecting the business community.

Recommendations

- 1) In this regard the KEDS project should strengthen the capabilities of EPC and trade association, especially KAM, to initiate policy studies, seminars and workshops in future.
- 2) Policy advisory interventions of the KEDS project should thus be short-term in nature through the EPC and trade associations.
- 3) Capacity building in the form of training should be directed at EPC as a semi-autonomous organization aligned to the Ministry of Commerce and Industry.

- 4) The KEDS Advisory Committee (KAC) should be transferred to EPC. should meet regularly, perhaps monthly, to monitor effectively the remaining life of the project.
- 5) The trade associations' capabilities should be strengthened by the KEDS project in the initiation of future studies.
- 6) EPPO should carry out studies only as related to their specific area of responsibility.
- 7) The remaining gaps in policy reforms involve economy-wide policies, such as investment incentives, regional market integration and exchange rate management. KEDS advisory role should be short-term in nature to the EPC and the trade associations, especially KAM.
- 8) The remaining mandate of the original KEDS project in the public sector component is training EPPO staff. This should be refocussed to the EPC to help build capacity which solely deals with export promotion activities. These training activities should be in-country, short-term in nature and focused. Where necessary, overseas short-term training could be undertaken. The training activities should also target trade associations, like KAM in policy analysis.
- 9) Policy implementation was not the original goal of KEDS' project public sector component. KEDS' advisory role at EPPO is thus redundant. Future advisory interventions should be short-term in nature and focused on EPC. EPC and trade associations (KAM, FKE, and F-PEAK) would be strong organizations to influence policy implementation more effectively.

7.4 CONTRACTOR AND USAID PERFORMANCE

Conclusions

- DAI and USAID have performed to or above the standards required
- there is still a great deal of work to be done in developing sustainable non-traditional exports in Kenya
- business skills to enhance the sustainability of association services may not be readily available in the DAI contract portion of the KEDS umbrella project
- changes in the economic environment in Kenya since the inception of the project require substantial amendments in focus if the project is to be implemented beyond 1996.

Recommendations

- amendment of the focus of the KEDS project should be undertaken
- expertise to support the sustainability of business associations may need to be a separate component under the KEDS umbrella project
- a decision regarding an extension of the DAI contract after 1996 should be made as soon as possible to allow USAID/Kenya and DAI to determine the scope and range of future activities.

APPENDIX I

- 1 EDF GRANT SUMMARY**
- 2 CHANGE IN EMPLOYMENT IN EDF FIRMS**
- 3 CHANGE IN EXPORT EARNINGS IN EDF ASSISTED FIRMS**

APPENDIX I

1 EDF GRANT SUMMARY

2nd May 1995

EDF GRANT SUMMARY

#	Date	Company Name	Product(s)	Size: No. of Empl's	Size: 1994 Sales	EDF Grant	EDF Intervention
1	Jun 15	Gekins Exporters & Importers Ltd.	Deluxe Sisal Handbags	Medium Total: 62 Female: 23	\$ 382,000	Completed \$ 4,501	Catalog & Marketing Trip: to Spain and France Activity Type: 1A, 1B
2	Jun 27	North-Eastern Impexo Agencies Ltd.	French beans, Avocados, Mangos, Passion Fruit	Small Total: 9 Female: 2	\$ 464,000	Completed \$ 1,876	Training program: for export quality sorting/grading, packaging. Activity Type: 2A, 3B
3	Jul 07	Makindu Growers & Packers Ltd.	Prepack Asian Vegetables	Small Total: 45 Female: 5	\$ 674,000	Completed \$ 1,355	Marketing trip: to UK, France, Austria & Germany. Activity Type: 1A
4	Jul 07	Atlantis Ceramics Ltd. representing Kenya's Finest Consortium	Ceramics, Canvas and sisal bags, Stained and engraved glass	Consortium of 5 small firms	\$ 267,857	Completed \$ 1,506	Trade Show: Consortium (5 companies) Representative to participate in NY trade fair targeting dept. store buyers. Activity Type: 1A, 1C, 1D
5	Jul 21	Kihwezi Growers & Exporters Ltd.	Beans, Avocados, Mangetout	Small Total: 10 Female: 4	\$ 750,000	Completed \$ 2,250	Marketing trip: to France & UK to introduce new line of pre-pack vegetables. Activity Type: 1A, 2C
6	Jul 22	Sunripe Ltd.	Beans, Avocados, Passion Fruit	Medium Total: 20 Female: 3	\$1,300,000	\$ 7,144	Brochure: Production to show full hort production line. Activity Type: 1B
7	Jul 27	Dawa Pharmaceuticals Ltd.	Medicines: Dawaol, Dawaquin, Curamol plus	Large Total: 238 Female: 89	\$3,500,000	Completed \$ 28,431	6-mon Advertising Campaign: Promo items, shirts, press inserts, radio spots targeting Uganda. Activity Type: 1B, 1C
8	Aug 17	Gekins Exporters & Importers Ltd.	Deluxe Sisal Handbags	Medium Total: 62 Female: 23	\$ 382,000	Completed \$ 11,983	Trade Show: Participate in Barcelona show Activity Type: 1C, 1D
9	Aug 25	Sunfresh Farm Produce	French Beans, Snow Peas, Bullet Chillies	Small Total: 18 Female: 9	\$ 373,548	\$ 1,659	Negotiate Orders for on-coming high season prospect for export of Avocados by sea. Activity Type: 1A

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#	Date	Company Name	Product(s)	Size: No. of Empl's	Size: 1994 Sales	EDF Grant	EDF Intervention
10	Aug 30	Ng'uuru Gakirwe Water Project	Packaged Dried Herbs: Carcade (Hibiscus), Camomile, Lemon Grass	Small Total: 13 Female: 3	\$ 20,000	Completed \$ 873	To visit Italy to streamline dealer/distribution among 3 major buyers, negotiate new orders, prices & introduce new product "herbal jam". Activity Type: 1A, 2A, 1C
11	Aug 30	Turasha Windsong Farm Limited	Cut Flowers: Lisianthus, Alstromeria, Molucella	Small 22	\$89,286	\$ 3,000	To pay for the services of a technical expert for 12 visits to facilitate the development and growth of the flower. Activity Type: 2B, 2C
12	Sept 8	Diversey Eastern & Central Africa Limited	Cleaning Products: Divobrite, Bril-Tak, Spec-Tak	Medium Total: 66 Female: 6	\$ 1.5 Million	\$ 6,450.00	Production of a marketing plan to facilitate commercial entry of their products into Tanzanian market. Activity Type: (4A?), 4B, 1E
13	Sept 20	Gillflo Limited	Roses	Medium Total: 80 Female: 64	\$ 821,429	\$ 12,8010	Attend 3 day International Fair for Horticulture in Frankfurt, Germany. Visit Germany, Moscow, St. Peters burg, Bucherest and Warsaw. Activity Type: 1A, 1C, 1D, 1E
14	Sept 27	Kenbro Industries Ltd.	Polyflex PVC Tiles, Mastic Asphalt, Adhesives	Micro Total: 7 Female: 2	\$ 16,857	\$ 6,626	To undertake product promotion visits to Uganda and Tanzania. Activity Type: 1A, 1C
15	Oct 6	Tru-Fruits (K) Ltd.	Frozen Beans, Fresh Beans, Mangoes and Passion	Medium 80	\$ 158,340	Cancelled 0	Due to the effect of the strong shilling, Tru- Fruits has experienced a decline in exports and therefore will not pursue plans for expansion of their cooling facility.
16	Oct 6	Jacaranda Designs Limited	African Art: Literature	Small Total: 11 Female: 5	\$ 21,000	\$25,000	Product development, promotion, improvement for North American and South African markets Activity Type: 1A, 2A, 1C
17	Oct 7	Fresh Produce Ltd.	French Beans, Avocadoes, Mangetout	Small Total: 12 Female: 4	\$ 535,714	\$12,000	For a professional firm to put in place computerised accounting system to assist in determining export pricing, break even points and profitability. Activity Type: 4C

#	Date	Company Name	Product(s)	Size: No. of Empl's	Size: 1994 Sales	EDF Grant	EDF Intervention
18	Oct 6	Woni Veg-Fru Exporters & Importers Ltd.	French Beans, Snow Peas, Avocadoes	Small 16	\$ 440,000	\$ 5,373	To produce a high quality product promotion brochure to assist in the marketing of the newly introduced value added pre-packs to buyers in UK, Belgium, France and Switzerland. Activity Type: 1A, 2A, 1B
19	Oct 6	Turasha Windsong Farm Ltd.	Cut Flowers: (Lisianthus, Alstromeria, Molucella)	Small 22	\$ 89,286	\$12,000	To pay for the services of a 2nd technical expert for a year who will facilitate the development of a technical farm management including irrigation application and also undertake development of new products and markets for existing and new products. Activity Type: 2B, 3B
20	Oct 12	Echuka Investment Ltd.	Dairy Products, fruits, vegetables	Large 109	\$ 292,647	\$ 4,455	To undertake industrial training in dairy production/operations in UK for 4 production technicians. Activity Type: 2A, 2B, 3B
21	Oct 7	Mango Limited	Shelving system, office furniture, camping furniture	Medium Total: 37 Female: 5	\$ 20,980	Completed \$ 3,017	To participate in 1994 Uganda International Trade Fair. Activity Type: 1D
22	Oct 17	Samaki Industries Limited	Nile Perch Fillets (Frozen)	Large Total: 146 Female: 5	\$ 7.07 Million	\$ 18,661	To participate as an exhibitor at the Sial Food Show in Paris; market development trip to USA and Canada; hiring of a consultant to design processing line for U.S. market. Activity Type: 1A, 2A, 2B, 1C, 1D
23	Oct 17	African Diatomite Industries Limited	Diatomite Filter, Aids and Fillers	Medium Total: 58 Female: 0	\$ 147,140	\$ 19,585	To undertake a product promotional and sales campaign program over a period of 1-1/4 year PTA, South Africa, India, Middle East and Austraria. Activity Type: 1A, 1C, 1E
24	Oct 24	Fairview Flora Limited	Roses	Medium 100	\$ 193,000	\$ 1,537	Market development trip to London and Aalsmeer to meet with prospective buyers. Purpose is to create new direct marketing opportunities. Activity Type: 1A

#	Date	Company Name	Product(s)	Size/ No. of Empl's	Size/ 1994 Sales	EDF Grant	EDF Intervention
25	Oct 26	Agricultural Integrated Industries Limited	Alstroemeria, Ornithogolum, Arabigum	Medium 68	\$ 200,000	\$ 8,418	To undertake a marketing tour program to France/Netherlands/Belgium to canvas for sell flowers directly to wholesalers to by-pass the Holland Flower Auction and to locate a central marketing place in Holland from where to sort grade and distribute flowers. Activity Type: 1A, 4A, 1C
26	Oct 26	Sukhimwa Enterprises Limited	Wood products, African Jewellery, African artifacts	Small Total: 4 Female: 2	\$ 37,500	\$ 14,377	To break into Japan market by establishing long term business contracts with importers and wholesalers of Kenyan handicrafts. In particular, in conjunction with a Japanese company "General Match Company" merchandize their products in 15 major departmental stores in main commercial towns Japan between January - March 1995. To produce a product promotional catalog. Activity Type: 1A, 1C
27	Oct 26	Sunny Auto Parts (K) Limited	Fuel, Oil, Air Filters	Small Total: 38 Female: 4	\$ 25,000	Completed \$ 5,716	To attend and exhibit products at the Saitex International Show in Johannesburg, South Africa. Activity Type: 1D
28	Oct 26	Varsani Brakelinings Limited	Disc Brake Pads, Brakelinings, Brake Bonding	Medium 78	\$ 11,250	\$ 4,029	To attend and exhibit at the Saitex International Show in Johannesburg, South Africa. Activity Type: 1D
29	Nov 2	Vegpro (K) Ltd.	French Beans, Avocados, Vegetables	Medium Total: 36 Female: 18	\$ 2.4 Million	\$ 8,022	To hire services of a renowned horticulturist and technical assistant, J.M. Love. Mr. Love will assist in developing Vegpro's quality parameters in order to export to supermarket chains in U.K. and W. Europe. Activity Type: 2A, 2B

#	Date	Company Name	Product(s)	Size: No. of Empl's	Size: 1994 Sales	EDF Grant	EDF Intervention
30	Nov 2	Doshi Enterprises Ltd.	Galvanized Pipes, Steel, Steel Plates	Large Total: 139 Female: 5	\$ 1.0 Million	\$ 10,800	Market expansion in Ethiopia, Tanzania, Rwanda, Uganda, perform market development activities in each country such as customer identification and possible selection of Agents/Distributors. Doshi is also investigating ocean shipment of steel to Ethiopia via Djibouti. Activity Type: 1A, 1E
31	Nov 8	Industrial Plant (EA) Ltd.	Food Industry equipment/trailers and tankers, brewery equipment, overhead cranes	Large 161	\$ 469,000	\$ 25,000	To hire from India 3 consultants to train company production personnel in planning, production, design, quality and material control. Activity Type: 2A, 4A, 2B, 3B
32	Nov 28	Kisengela Farm	Horticultural: Mangetout, Beans, Chilies, Dry Beans	Small 23	\$ 20,000	\$ 25,000	To obtain services of consultant, Mr. D.M. McHattie, to provide: financial planning for expansion of produce handling; export produce selection training, design of quality control program; export market development in U.K. and W. Europe. Activity Type: 1A, 2A, 4B, 4C
33	Dec 1	Tower Metal Products	Aluminium Cookpots/Qualityware	Medium Total: 34 Female: 2	\$ 1.2 Million	\$ 15,427	To attend the International Housewares Show in Chicago, USA in January 1995 following an encouraging market survey and buyer response to company's products. The objective is to negotiate deals with potential buying groups. To develop product promotion catalog for export market and package modification. Activity Type: 1A, 2A, 1B, 1D
34	Dec 15	Ng'uuru Gakirwe Water Project	Packed Herbs, Carcade, Camomile, Lemon Grass	Small Total: 13 Female: 3	\$ 20,000	Completed \$ 2,531	To carry out a product promotion program in PTA (E.A. Hotels) by placing an advertisement in the new "Kenya Product Showcase" magazine and producing a one page product catalog. Activity Type: 1B, 1C
35	Dec 16	Sanpac Limited	Plastic Bottles and Jars, Horticultural Packaging	Large Total: 149 Female: 20	\$ 250,000	Completed \$ 2,247	To participate in 1995 Addis Ababa International Exhibition - January 25 - 29. Activity Type: 1D

#	Date	Company Name	Product(s)	Size: No. of Empl's	Size: 1994 Sales	EDF Grant	EDF Intervention
36	Dec 29	Cabroworks Limited	Concrete Block Paving, Roofing Felts, Oxidised Bitumen	Large Total: 93 Female: 6	\$ 140,000	Completed \$ 2,574	To participate in 1995 Addis Ababa International Exhibition - January 25 - 29 and to conduct market research in Ethiopia. To participate in Zanzibar International Trade Fair - February 1995 and conduct follow-up market research. Activity Type: 1D
37	Dec 14	Surya Kiran & Co. Ltd.	Hardware, Auto Spares	Micro Total: 7 Female: 2	\$ 190,000	Completed \$ 1,591	To participate in 1995 Addis Ababa International Exhibition - January 25 - 29. Activity Type: 1D
38	Dec 16	Viro Locks (K) Limited	Security Locks	Micro Total: 6 Female: 0	\$ 100,000	Completed \$ 2,042	To participate in 1995 Addis Ababa International Exhibition - January 25 - 29. Activity Type: 1D
39	Jan 19	Ombi Rubber Industries	Rubber Rollers, Adhesives, Moulded Products	Small 20	\$ 20,000	\$ 10,000	A rehabilitation study will be conducted by RA to identify problems; assess condition of plant and equipment; conduct market survey of PTA Countries; develop rehabilitation strategy; provide financial plan. Activity Type: 2A, 4A, 2B, 4B, 4C, 2E
40	Jan 19	Sunny Auto Parts (K) Ltd.	Auto Parts: Fuel, Oil and Air Filters	Small Total: 38 Female: 4	\$ 900,000	Completed \$ 2,977	To participate in EXPO '95, Addis Ababa, Ethiopia Activity Type: 1D
41	Jan 20	Highview Farm Ltd.	Fresh Cut Flowers	Large 150	\$ 600,000	\$ 19,994	To send a Production Manager for 3 months of technical training in floriculture to the Larenstein International Agricultural College, Netherlands; and to obtain consulting and training services from Sunrose Nurseries Ltd. twice a month for one year. Activity Type: 2B, 3B
42	Feb 3	Viewfinders Limited	Filming crew services for documentary and educational films	Micro 4	Kshs.5 - 10 Million	\$ 13,394	To perform employee training, product development and market development activities including: employee technical training, clientele questionnaire, brochure production. Activity Type: 1A, 1B, 3B, 1E

#	Date	Company Name	Product(s)	Size: No. of Empl's	Size: 1994 Sales	EDF Grant	EDF Intervention
43	Feb 8	Super Manufacturers Ltd.	Fibreglass Sheets, Buttons	Medium 59	\$ 71,000	\$ 2,900	To send 2 individuals to South Africa for a technical sales and marketing course. Individuals will also receive technical training for manufacture of a new product which is targeted for export markets. Activity Type: 2A, 3A, 3B
44	Feb 22	Swan Industries Limited	High and low boiled sweets, bubble gum	Medium 75	\$ 3.8 Million	\$ 270	To train one staff member in ISO 9000 quality management. Program is conducted by Export Development Services. Activity Type: 3B
45	March 1	Wet Farm Limited	Cut Flowers: Lillies, Alstromeria, Eryngium, Zantedeschia	Medium 60	\$ 170,000	\$ 11,333	To retain services of a local consultant for a period of 10 months. Mr. Isaiah Ngumi Njorog will provide technical assistance in the following areas: Production, Pest and Disease Control, Selection of new varieties, Propagation and Record Keeping. Activity Type: 4A, 2B, 3B
46	March 8	Sete (Kenya) Limited	French Beans, Mangoes, Avocados	Small 12	\$ 38,889	\$ 1,690	To undertake market expansion trip to the Middle East to fix deals with existing buyers and "contacts" made at the Exhibition for Avocados for the coming season. In Europe, negotiate expansion sales with 2 existing buyers in France and one in UK and in particular, obtain agreement on the planned processing of 'pre-packs' of beans with existing buyers and other prospective buyers. Activity Type: 1A, 2C
47	March 13	Uzuri Manufacturers Ltd.	Health care and beauty products, cleaning products	100 Large	\$ 1.25 Million	\$ 19,192	To conduct promotional program for new hair care product in the Ugandan market; advertise in the newspaper and on radio; conduct two day product introduction and demonstration seminar in Kampala and also introduce product in Maputo and Lusaka along with promoting other health care products. Activity Type: 1A, 1C

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#	Date	Company Name	Product(s)	Size: No. of Empl's	Size: 1994 Sales	EDF Grant	EDF Intervention
48	March 24	Sawa Flora Limited	Cut Flowers (Roses)	Medium 92	\$ 45,455	\$ 1,609	To undertake a market development trip to Europe (Holland/UK) to negotiate direct sales to wholesalers in order to reduce dependency on the Holland Auction. Sawa will also visit various flower marketing outlets to gather information concerning trends in demand, competition, consumer preferences and new market segments in the flower industry. Activity Type: 1A
49	April 4	Sunny Daze Limited	Outdoor (Patio) Furniture	Medium Total: 50 Female: 2	\$ 44,000	\$ 7,108	To participate in Decorex South African 1995 in Johannesburg. Sunny Daze will display its furniture and assist in promotion with their agent Indaba Interiors. Sunny Daze will also travel to Cape Town to visit prospective retail store clients. Activity Type: 1A, 1D
50	April 12	Multiphasic Export Company	Cutflowers (Roses) and Fruits (Avocados)	Large Total: 150 Female: 60	\$ 272,727	\$ 7,334	To undertake a marketing trip to cover (a) UK/Canada "Fruits/Flowers" (b) European Union "Flowers/Fruits" (Slovenia, Italy, Germany, Denmark) and (c) UAE "Fruits" (Dubai) to negotiate direct sales agreements with already identified contacts gotten from International Exhibitions for flowers and Avocados. Activity Type: 1A, 1E
51	April 21	Mortice & Tenon Limited	Furniture (for hotels/office)	Medium Total: 60 Female: 4	\$ 26,577	\$ 4,962	To exhibit and sell at the Kenya Trade Week/Bazaar in Kampala at the Uganda National Trade Fair from 28th April - 7th May 1995. Activity Type: 1D
52	April 21	Echuka Farm	Daily Products, Vegetables	Large Total: 109 Female: 42	\$ 332,553	\$ 7,093	To undertake, with the assistance of Deloitte & Touche, a dairy products feasibility study that will assess the market potential for the products in Uganda and Tanzania, develop the marketing strategy (market plan) for the products and evaluate financial viability. Activity Type: 1E, 4B, 4C

#	Date	Company Name	Product(s)	Size: No. of Empl's	Size: 1994 Sales	EDF Grant	EDF Intervention
53	April 21	Novelty Designs & Handicrafts	African Jewellery, Bone Products, African Kyondo	Small Total: 14 Female: 4	\$ 100,000	\$ 7,807	To hire the services of a product design expert to train staff in the design and production of high export quality Kyondo bags and mats for 9 months. Training will lead to production of promotional product catalogues for international exhibitions. To also advertise 3 times key products in the Tourist Africa Magazine targeted to tourists. Activity Type: 1C, 3B
		TOTAL VALUE OF GRANTS AWARDED TO 49 COMPANIES:				\$ 437,489	

K = Kenyan
A = Asian
C = Caucasian
M = Male
F = Female

OWNERSHIP AND MANAGEMENT DATA

	<u>K</u>	<u>A</u>	<u>C</u>	<u>M</u>	<u>E</u>
26	18	4	37	11	
			70%	30%	

APPENDIX I

2 CHANGE IN EMPLOYMENT IN EDF FIRMS

CHANGE IN EMPLOYMENT IN EDF FIRMS

Company Name	Type of Employees	1992 Employees		1993 Employees		1994 Employees		1995 Employees		% change from 1994	1996 Employees		% change from 1992
		T	F	T	F	T	F	T	F	Total	T	F	Total
Diversey East & Central	Permanent	68	1	67	1	66	16	78	16	+18%			
	Temporary	-	-	-	-	-	-	-	-				
Doshi Enterprises	Permanent	112	3	119	6	139	5	169	10	+22%			
	Temporary	128	-	142	-	112	-	130	-				
Fairview Flora Ltd.	Permanent	46	26										
	Temporary	89	62										
Gekins Exporters	Permanent	6	1	23	4	62	23	65	26	+5%			
	Temporary	52	18	41	17	400	400	400	400				
Giflo Limited	Permanent	110	50	90	30	80	64	80	64	-0-			
	Temporary	-	-	-	-	60	48	80	64				
Industrial Plant	Permanent	161	5										
	Temporary	40	-										
Kenbro Industries	Permanent	8	1	12	10	7	2	13	2	+86%			
	Temporary	25	-	15	-	10	-	15	-				
Kibwezi Growers	Permanent	12	3	12	3	10	4	10	4	-0-			
	Temporary	3	3	3	3	10	10	10	10				

Company Name	Type of Employees	1992 Employees		1993 Employees		1994 Employees		1995 Employees		% change from 1994	1996 Employees		% change from 1992
		T	F	T	F	T	F	T	F	Total	T	F	Total
Mango Limited	Permanent	27	20	27	20	37	5	42	5	+14%			
	Temporary	40	4	38	3	40	5	41	5				
Samaki Industries	Permanent	100	20	147	50	146	51	146	51	- 0 -			
	Temporary	104	8	127	2	130	2	138	3				
Sukhimwa Enterprises Ltd.	Permanent	-	-	-	-	4	2						
	Temporary	-	-	-	-	50	34						
Sunny Autoparts	Permanent	50	10	75	15	38	4						
	Temporary	12	5	18	8	40	10						
Sunripe (1976) Ltd.	Permanent	21	3			20	3	25	4	+25%			
	Temporary	68	60			56	48	81	71				
Tower Metal Products	Permanent	27	2	32	2	34	2	52	2	+53%			
	Temporary	25	0	32	0	30	0	60	0				
Vegpro (K) Ltd.	Permanent	25	0			36	18						
	Temporary	150	115			68	34						
Cabroworks	Permanent	86	6	87	5	93	6	98	8	+5%			
	Temporary	10	0	10	0	10	0	15	0				

Company Name	Type of Employees	1992 Employees		1993 Employees		1994 Employees		1995 Employees		% change from 1994	1996 Employees		% change from 1992
		T	F	T	F	T	F	T	F	Total	T	F	Total
Sanpac Limited	Permanent	102	16	137	21	149	20						
	Temporary	42	6	22	3	12	2						
Surya Kiran	Permanent	4	2	6	2	7	2	7	2	- 0 -			
	Temporary	-	-	-	-	-	-	-	-				
Viro Locks	Permanent	4	0	7	0	6	0	7	0	+17%			
	Temporary	-	-	-	-	4	0	8	0				
Varsani Blakelinings	Permanent	65	14	78	18								
	Temporary	-	-	-	-								
Dawa Pharmaceuticals	Permanent	191	70	-	-	238	89						
	Temporary	60	22	-	-	300	-						
African Diatomite	Permanent	65	0	-	-	58	0						
	Temporary	20	0	-	-	20	1						
Agricultural Integrated	Permanent	18	10	18	10								
	Temporary	70	45	80	55								
Echuka Investments	Permanent	190	78	116	49	20	46	97	-	-67			
	Temporary	234	96	211	129	170	117	-	-				

Company Name	Type of Employees	1992 Employees		1993 Employees		1994 Employees		1995 Employees		% change from 1994	1996 Employees		% change from 1992
		T	F	T	F	T	F	T	F	Total	T	F	Total
Fresh Produce	Permanent	-	-	-	-	12	4	13	4	+ 8%			
	Temporary	-	-	-	-	19	11	20	14				
Jacarada Designs	Permanent	13	5	15	6	11	5	13	6	+18%			
	Temporary	-	-	-	-	4	-	7	2				
Makindu Growers	Permanent	42	6	45	5	45	5	50	5	+11%			
	Temporary	-	-	-	-	-	-	-	-				
Ng'uuru Gakirwe	Permanent	11	3	12	3	13	3	15	5	+15%			
	Temporary	41	38	50	45	80	70	100	90				
North Eastern Impexo	Permanent	44	21	64	28	9	2	9	2	- 0 -			
	Temporary	33	14	39	15								
Sunfresh Farm	Permanent	6	2	8	3	18	9						
	Temporary	12	11	14	13	15	15						
Turasha Windsong Farm	Permanent	2	-	8	2								
	Temporary	38	25	56	37								
Kisengela Farm	Permanent	6	3	8	4	16	6	24	10	+142			
	Temporary	135	77	143	90	53	42	143	121				
TOTAL 17 EVALUATED FIRMS						797		892		+12%			

Note: Total employment change is calculated by totalling specific firm employment and then calculating % change rather than by averaging percent change over all firms.
Deloitte and Touche will update this report periodically for inclusion in every quarterly report.

APPENDIX I

**3 CHANGE IN EXPORT EARNINGS IN EDF ASSISTED
FIRMS**

CHANGE IN EXPORTS (FOREIGN EXCHANGE EARNINGS) IN EDF ASSISTED FIRMS

Company Name	1992 Foreign Exchange Earnings	1993 Foreign Exchange Earnings	1994 Foreign Exchange Earnings	1995 Foreign Exchange Earnings	% change from 1994	1996 Foreign Exchange Earnings	% change from 1994
Diversey Eastern & Central	US\$ 1.12 Million	US\$ 1.5 Million	US\$ 940,000	US\$ 617,200	- 34		
Doshi Enterprises Ltd.	US\$ 522,000	US\$ 1 Million	US\$ 2.225 Million	US\$2.750M	+ 24		
Fairview Flora Limited	-	US\$ 193,000	-	-			
Gekins Exporters	US\$ 590,000	US\$ 381,818	US\$ 334,000	US\$ 450,000	+ 35		
Gilflo Limited	US\$ 136,700	US\$ 821,42	US\$1.075 Million	US\$2.250M	+ 209		
Industrial Plant Ltd.	US\$ 1,173	US\$ 469,000	-	-			
Kenbro Industries Ltd.	-	US\$ 16,857	US\$ 51,372	US\$ 65,150	+ 27		
Kihwezi Growers Ltd.	US\$ 512,900	US\$ 689,000	US\$ 478,000	US\$ 478,000	NC		
Mango Limited	US\$ 6,093	US\$ 20,980	US\$ 157,000	US\$ 150,000	- 4		
Samaki Industries Ltd.	US\$ 4.60 Million	US\$ 7.07 Million	US\$ 8.019 Million	US\$15.3 Million	+ 91		
Sukhimwa Enterprises	-	-	US\$ 37,500	-			
Sunny Autoparts Ltd.	US\$ 25,000	US\$ 10,000	US\$ 10,000	US\$ 100,000	+ 1000		
Sunripe (1976) Limited	US\$ 2.86 Million	US\$ 1.3 Million	-	-			
Tower Metal	-	US\$ 1.2 Million	US\$ 946,000	US\$ 1,200,000	+ 27		
Vegpro (K) Limited	US\$ 2.8 Million	US\$ 2.4 Million	US\$ 2.55 Million				
Woni Fru. & Veg.	US\$ 440,000	-	-	-			
Cabroworks Limited	US\$ 192,726	US\$ 140,000	US\$ 248,000	US\$ 305,800	+ 23		
Sanpac Limited	-	US\$ 324,000	US\$ 230,000	US\$ 460,000	+ 100		
Surya Kiran	US\$ 186,500	US\$ 190,000	US\$ 196,000	-			
Viro Locks	-	-	US\$ 100,000	-			

Company Name	1992 Foreign Exchange Earnings	1993 Foreign Exchange Earnings	1994 Foreign Exchange Earnings	1995 Foreign Exchange Earnings	% change from 1994	1996 Foreign Exchange Earnings	% change from 1994
Varsani Brakelinings	-	US\$ 11,250	-	-			
Dawa Pharmaceuticals	US\$1.044 Million	US\$ 321,000	US\$ 250,000	US\$ 600,000	+ 140		
African Diatomite	US\$ 179,000	US\$ 147,140	US\$ 224,871	US\$ 320,000	+ 42		
Agricultural Integrated	US\$ 210,000	US\$ 200,000	-	-			
Echuka Investments	US\$ 300,000	US\$ 292,647	US\$ 139,413	US\$ N/A			
Fresh Produce	US\$ 746,000	US\$ 535,714	US\$ 163,928	US\$ 250,000	+ 53		
Jacaranda Designs	US\$ 145,000	US\$ 21,000	US\$ 40,500	US\$ 125,000	+ 309		
Makindu Growers	US\$ 1.260 M	US\$ 673,929	US\$ 592,000	US\$ 760,000	+ 28		
Ng'uuru Gakirwe	US\$ 36,970	US\$ 16,312	US\$ 19,917	US\$ 37,500	+ 88		
North Eastern Impexo	US\$ 590,612	US\$ 464,286	US\$ 339,000	-			
Sunfresh Farm	US\$ 176,007	US\$ 373,548	US\$ 415,000	-			
Turasha Windsong	-	US\$ 440,000	-	-			
Kisengela Farm	US\$ 62,170	US\$ 20,000	US\$ 34,091	US\$ 181,818	+ 433		
TOTAL ALL FIRMS							

Note: Total change in foreign exchange earnings is calculated by totalling specific firm foreign exchange earnings and then calculating % change rather than by averaging percent change over all firms.

Deloitte and Touche will produce a system of checks (employment #s and export \$) beginning Jan. 1995 (scope of work is being developed)

Deloitte and Touche can produce a brief report in tabular form for inclusion in every quarterly report

APPENDIX II

STRATEGIC CONSULTANCIES SUMMARY

STRATEGIC CONSULTANCIES SUMMARY

#	1994 Date	Company Name	Product(s)	Size	Comments
1	May 18	Gekins Importers & Exporters Ltd.	Handmade Sisal Bags (Kyondo)	Medium	EDF advised for: Catalog Development & Marketing Trip to Spain and France
2	May 20	Multiphasic Ltd.	Cut Flowers	Small	Postponed EDF, still developing exports, gave them EU Cut Flower Market Study
3	May 31	Fresh Produce Ltd.	Cut Flowers	Small	Client requesting local bids for export pricing system under EDF
4	June 8	Diversey Ltd.	Cleaning Products/Service	Medium	EDF Applicant. Client will conduct a market research survey in Tanzania via services of consulting firm. KEDS approved Coopers & Lybrand proposal.
5	June 8	Tower Metal Products	Pots & Pans Cookware	Medium	EDF Applicant. Development of U.S. market via trade show exhibition in Chicago, personal visits to targeted distributors on East Coast. Formal survey of U.S. market completed by Tower.
6	June 24	North-Eastern Impexo Agencies Ltd.	French beans, Avocado, Mango, Passion	Small	EDF Applicant. In-house training program for export quality sorting/grading, packaging
7	July 12	Sunripe (1976) Ltd.	Beans, Avocadoes, Passion Fruit	Medium	EDF Applicant. Production of product promotional catalog to market new high value products
8	July 28	Turasha Windsong Farms Ltd.	Alstromeris, Lisianthus, Molucella	Small	EDF Application. Consultancy on production and postharvest guidance of Lisianthus. Recommend business plan workshop.
9	Aug 2	Vegpro (K) Ltd.	Cut Flowers, Fruits & Vegetables	Medium	EDF Applicant. Seeking quote for consultancy for quality assurance program.
10	Aug 2	Sunfresh Farm Ltd.	Fruits & Vegetables	Small	EDF Applicant. Product and market development for flowers and fresh vegetables to U.K., Belgium, and France.

#	1994 Date	Company Name:	Product(s):	Size:	Comments:
11	Aug 4	Kenbro Industries Ltd.	Hardware, Polyflex PVC, Floor tiles	Small	EDF Applicant. PTA market product promotion program targeted at Architects, Contractors. Possible candidate for Business Plan Workshop.
12	Aug 29	Ng'uuru Gakirwe Water Project	Packaged Dried Herbs: Carcade (Hibiscus), Camomile, Lemon Grass	Small	EDF Applicant. Arrangement of dealer/distributorships in Ital. Final market testing of new product-herbal jam and negotiating new orders.
13	Aug 31	Olympic Fruit Processors Ltd.	Passion, Mango, Orange Concentrates	Small	EDF Applicant. Hiring a technical expert to train on quality assurance, new product development
14	Sept 2	Gilflo Limited	Roses	Medium	EDF Applicant: New Market development for roses in Eastern and Central Europe.
15	Sept 2	Computroller Ltd.	Computer hardware & software	Small	Inquiry for EDF application. Pursuing new markets in Uganda, Tanzania, Ethiopia. Possible candidate business planning workshop
16	Sept 2	Anthos Ltd.	Processed dry Herbs, Gums		Assisting in obtaining market information for U.S. and Europe for gum products. Identification of wholesale buyers of camomile products
17	Sept 2	Jacaranda Designs Ltd.	Authentic African Publications	Small	Have inquired about EDF assistance for U.S. market. Baseline survey and EDF application are in process
18	Sept 6	Echuka Farm	Processed dairy products, vegetable & fruit products	Large	Consultation for preliminary steps for direct export. Recommended business planning workshop. Needs to develop strategic plan for diversified product mix
19	Sept 7	Avoken Ltd.	French Beans, Mangetout, Passion Fruit	Small	Seeking assistance to expand export markets. Recommend business planning workshop.
20	Sept 12	Kenya Small Scale Farmers Association (KESSFA)	Outgrowers for French Beans, Mangetout	Association of small growers	Association seeking assistance to alleviate marketing problems with contracted exporters. KEDS recommending roundtable forum between KESSFA and Exporters
21	Sept 12	African Heritage	Handicrafts, clothing, artworks	Large	Seeking assistance to restructure exporting division. Possible divestiture of export business. Under further review
22	Sept 16	Highview Farm Ltd.	Roses	Medium	Seeking EDF assistance to pursue direct marketing of flowers in W. Europe. Possible technical assistance for management training

#	1994 Date	Company Name:	Product(s):	Size:	Comments:
23	Sept 26	Samaki Industries	Processed Fish	Large	EDF applicant. Developing European and North American markets. Planning to attend SIAL. Show as co-exhibitor with European Distributor. Needs further product development for the N. American market.
24	Sept 27	African Diatomite	Processed filtration products	Medium	EDF applicant. Development of African, Middle East, and Asian markets for filtration products. Primary targets are breweries and soft drink processors.
25	Sept 28	Wet Farm	Cut flowers	Medium	Researching new variety establishment for European markets. Possible EDF applicant.
26	Oct. 4	Agricultural Integrated Enterprises	Cut flowers	Medium	EDF Applicant. Proposal to: organize small scale adstromeria growers in order to collectively market flowers; establish a central marketing point in Europe from which to distribute flowers.
27	Oct. 4	Woni Fruit & Veg	Fresh Vegetables	Medium	EDF Applicant. Development of prepack products for the UK, Belgium, France and Switzerland markets. Development of product promotion brochure. Reviewed plans for processing expansion. Advised on capitalization and sources of funding.
28	Oct. 5	Doshi Enterprises	Structural Steel Products	Large	EDF Applicant. Proposal to develop markets in Uganda, Ethiopia, Sudan and Tanzania.
29	Oct. 6	Red Hill Blooms	Cut flowers	Small	EDF Applicant. Proposal to conduct market development in Europe, including participation in Alsmeer exposition.
30	Oct. 6	Mango Ltd.	Furniture Manufacturing	Medium	EDF Applicant. Participating as exhibitor in the Uganda Manufacturers Association trade fair in Kampala. Identification of a representative and/or distributor in Kampala.
31	Oct. 11	Industrial Plant Ltd.	Value Added Steel Products	Large	EDF Applicant. Possible applicant for HESC assistance. Seeking assistance in the training of engineering staff which is comprised of local Kenyans. Development of ISO 9000 standards for export markets.
32	Oct. 13	Kusuku Farm	Horticultural Produce	Small	Seeking marketing information for various fresh products; primarily targeting U.K., France and Middle East.

#	1994 Date	Company Name:	Product(s):	Size:	Comments:
33	Oct. 14	Kisengela Farm	Fresh Vegetables, Dry Beans	Medium	Possible EDF applicant. Kisengela is beginning to export fresh produce and requires assistance in package design and development, designs for building modifications, equipment selection and set-up, training of staff for post harvest handling.
34	Oct. 19	Ombi Rubber	Fabricated Rubber Products	Small	Potential EDF and IESC Applicant. Ombi is developing market plan for new export markets; also is seeking technical assistance for modernizing production. Has received proposal from RAS for market research study for PTA.
35	Oct. 21	Sunny Daze	Wood Furniture		IESC Applicant. Continuation of current IESC support.
36	Oct. 21	Baduku Enterprises	Handicrafts	Small	Potential EDF Participant. Proposal for production of catalog and attendance at European exhibition.
37	Oct. 25	Green Gold Center	Fresh Vegetables	Medium	Potential EDF Participant. Proposal for sales mission in Holland.
38	Oct. 26	Mecol Ltd.	Furniture	Large	Potential EDF Participant. Proposal for market promotion campaign in PTA countries.
39	Nov. 7	Sukhimwa Enterprises	Handicrafts	Small	EDF Applicant. Proposal for direct sales activities in Japan; redesign of product catalog.
40	Nov. 10	Celinico Flowers Ltd.	Cut Flowers	Medium	Review of flower marketing activities. Investigating direct sales to new European clients.
41	Nov. 15	Viewfinders Ltd.	Service Provider for Wildlife documentary films.	Small	Review of strategic plan to attract South African filmmakers to Kenyan market. Possible EDF applicant.
42	Nov. 18	Sunny Auto Parts	Oil, air, fuel filter manufacturing	Medium	Review of marketing plan to enter new markets, such as South Africa and Ethiopia. New product manufacturing targeted toward domestic and export markets.
43	Nov. 21	Florafil	Cut flowers	Medium	Investigation of market research activities for new direct markets, possibly Europe and Far East. Also needs training for managers in production and quality control.
44	Nov. 25	Steel Makers	Construction Steel Products	Medium	Expansion into PTA market and possibly Ethiopia. Inquiry for EDF assistance for Addis Show.

#	1994/95 Date	Company Name:	Product(s):	Size:	Comments:
45	Dec. 5	Bob Mil Ltd.	Foam Mattresses, Plastic Packaging.	Large	Discussions of market development into Ethiopia. Firm is too large for EDF assistance. Firm is planning to manufacture poly sleeve for export flowers.
46	Dec. 9	Viro Locks	Security Locks	Small	Inquiry to utilize EDF program for development of Ethiopian market; applying for Addis Show.
47	Dec. 14	Murimi Murata	Fresh Chives, Parsley	Small	Development and expansion of German market for chives, parsley and other fresh products. Proposal for outgrower scheme to increase production.
48	Dec. 15	Surya Kiran	Hardware Products, Auto Spares	Small	EDF applicant for Addis Show. Initiative is firm's first activities for development of Ethiopian market.
49	Dec. 15	Sanpac Ltd.	Plastic Containers	Large	EDF Applicant for Addis Show. First marketing activities in Ethiopia.
50	Dec. 15	Cabroworks Ltd.	Roofing Products	Medium	EDF Applicant for Addis Show and Zanzibar Exhibition. Firm needs to strengthen export sales in PTA market. Products are high quality but lack exposure in the new markets.
51	Jan. 3	Eldoret Steel Mills	Steel Products	Medium	Potential EDF Applicant. Firm produces value-added products such as roll-formed construction components. Currently exporting to PTA markets; intend to expand these markets via exhibitions and promotions.
52	Jan. 10	Bird of Paradise	Cut Flowers, Fruits and Vegetables	Micro	EDF Applicant for Dubai International Food Exhibition. to strengthen its market position in the Middle East.
53	Jan. 19	Signode Packaging Systems	Steel Strappings	Medium	EDF Applicant. Producer of steel and plastic strappings. Propose to undertake marketing and sales promotion within PTA, in particular East Africa countries. KEIS is investigating ownership.
54	Jan. 20	Amalgamated Sawmills	Timber Products	Medium	Current exporting to South Africa, Dubai, Saudi Arabia, Seychelles. Is developing marketing plan for PTA markets.
55	Jan. 20	Mortice & Tenon	Furniture Products	Medium	Potential EDF Applicant. Currently exporting to PTA markets. Firm intends to increase market penetration within PTA via product promotion and exhibitions.
56	Feb. 2	Super Manufacturers	Fibreglass Sheets, Buttoas	Medium	EDF Applicant seeking assistance for technical training and marketing. Firm is developing new fibreglass products for export market.

#	1995 Date	Company Name:	Product(s):	Size:	Comments:
57	Feb. 6	Sawa Flora	Cut Flowers (Roses)	Medium	EDF Applicant for marketing and/or quality control assistance. Began exporting roses in late 1994. Family owned and operated business.
58	Feb. 9	Toumalin Tea	Packaged Tea Products	Medium	Inquiry for EDF Application. KEDS cannot support tea exports via EDF Program. Provided firm with contacts in Ethiopia, based upon EDA's recent visit.
59	Feb. 13	Greenfields Investments	Fruits and Vegetables	Medium	Potential EDF participant.
60	Feb. 15	Multiphasic Export Company	Cut Flowers	Small	
61	Feb. 17	Uzuri Manufacturers Ltd.	Petroleum Jelly, Hair Care Products	Large	EDF Applicant. Uzuri recently developed a product line of hair relaxing formulas. Product has been introduced in Kenya, Uganda and Tanzania. Firm intends to utilize EDF for marketing program in Uganda, PTA country with highest sales potential.
62	Feb. 19	Novelty Designs & Handicrafts	Wood Carvings and African Jewelry	Small	Potential EDF participant. Currently exporting to Europe and North America.
63	Feb. 28	Sete Limited	Fresh Vegetables	Small	EDF Applicant. Sete is an exporter of French Beans, Mangoes and Avocados. With EDF support firm plans a sales trip to Middle East and Europe to obtain orders for Avocados and to develop market for pre-pack beans.
64	March 4	Swan Industries	Candies, Chewing Gum	Large	EDF Applicant. Firm is aggressively pursuing PTA country markets. Primary competitors are Far East based companies. Swan can compete on price but needs to continue to improve quality. Intends to utilize EDF funding for ISO 9000 management seminar.
65	March 6	Metal Tec Limited	Water Pumps, Manual	Small	EDF Applicant. Second visit to firm to determine eligibility for assistance. Metal Tec began exporting in 1994; has strong market potential in PTA countries through NGO's and commercial distribution.

#	1995 Date	Company Name:	Product(s):	Size:	Comments:
66	Mar. 10	Kanash Farm	Cut Flowers	Medium	Firm is exporting Solidaster flowers to the Dutch Auction. Kanash should consider developing direct buyer clientele; diversify product line with other varieties or flower types. Recommended to set appointments with COLEACP buyers at HORTEC. Possible EDF Applicant.
67	Mar. 14	Steel Wool Africa	Steel Wool Consumer Products	Medium	SWA is in early phases of establishing export markets. Beginning to receive orders from Ethiopia. Need to increase market share in Uganda where other exporters are stronger. Recommended to develop a marketing and promotion strategy for Uganda. Possible EDF Applicant.
68	Mar. 21	Badili Ltd.	Furniture	Small	Established Kenyan company producing Lamu, Zanzibar and Ethiopian furniture. Considering European market for exports, possibly Scandinavia. Recommended to consider South Africa first; possibly attend a trade event.
69	Mar. 23	Joint Ventures Ltd.	Furniture	Small	Manufacturer with new management looking to expand export markets. Some experience in Uganda, Burundi, and Rwanda; mostly office furniture. Recommended further development of marketing plan and product lines.

APPENDIX III

EVALUATION CONTACTS: EDF RECIPIENTS

EVALUATION CONTACTS

EDF GRANT RECIPIENTS

#	Company Name	Contact Person/Title	Address/Phone/Fax	EDF Grant # & Value	Company Size	Products	EDF Intervention
1	Dawa Pharmaceuticals Ltd.	Dr. J.K. Karungu, Marketing Manager	P.O. Box 47105, Nairobi Phone: 802401/6 Fax: 802463	#07, #54 \$25,000 \$6,431	Large # of Emp. 200	Dawanol, Dawaquin & Curamol plus	6-mon Advertising Campaign: Promo Items t-shirts, press inserts, radio spots targeting Uganda.
2	Jacaranda Designs Ltd.	Susan Scull-Carvalho, Managing Director	P.O. Box 76691, Nairobi Phone: 569736 Fax: 568353	#16 \$25,000	Small # of Emp. 15	African Art: Literature	Product development, promotion, improvement for North American and South African markets.
3	Samaki Industries Ltd.	A.N. Waluse	P.O. Box 41218, Nairobi Phone: 556359/555825 Fax: 543664	#22 \$ 18,661	Large # of Emp. 150	Nile Perch Fillets (Frozen)	To participate as an exhibitor at the Sial Food Show in Paris; market development trip to USA and Canada; hiring of a consultant to design processing line for U.S. market.
4	African Diatomite Industries Ltd.	Mr. Indrajit Singh, General Manager	P.O. Box 32, Gilgil Phone: 0367-5209 Fax: 0367-5004 Fax: 037-44324 (Nakuru)	#23 \$ 19,585	Medium # of Emp. 85	Diatomite Filter, Aids & Fillers	To undertake a product promotional and sales campaign program over a period of 1-1/4 year in PTA, South Africa, India, Middle East and Australia.
5	Gifflo Limited	Mr. Vallahhdas Patel, Managing Director	P.O. Box 62, Ruiru Phone: 339684 Fax: 339397 (NBI)	#13 \$ 12,801	Medium # of Emp. 57	Roses	Attend 3 day International Fair for Horticulture in Frankfurt, Germany. Visit Germany, Moscow, St. Petersburg, Bucharest and Warsaw.
6	Tower Metal Products Ltd.	Mr. P.D. Dighe, Director	P.O. Box 45319, Nairobi Phone: 552049 Fax: 542478	#33 \$ 15,427	Medium # of Emp. 64	Aluminum Cookpots & Quality- ware	To attend the International Housewares Show in Chicago, USA in January 1995 following an encouraging market survey and buyer response to company's products; the objective is to negotiate deals with potential buying groups. To develop product promotion catalog for export market and package modification.

#	Company Name	Contact Person/Title	Address/Phone/Fax	EDF Grant # & Value	Company Size	Products	EDF Intervention
7	Vegpro (K) Ltd.	Mr. Conan D'Souza	P.O. Box 32931, Nairobi Phone: 823611/823529 Fax: 823613	#29 \$ 8,022	Medium, # of Emp: 36	Fresh vegetables: french beans, mangetout, avacodos	Hired services of horticulturist and marketing expert, Mr. J.M. Love to assist Vegpro in establishing quality levels for UK and West Europe markets; assist Vegpro in obtaining new clients in Europe for new product lines, such as prepacks.
8	Gekins Exporters & Importers Ltd.	Mr. Geoffrey King'au, Managing Director	P.O. Box 10755, Nairobi Phone: 33766/218236 Fax: 218238	#01 and #08 \$ 4,501 \$ 11,983	Medium # of Emp. 64	Handmade "Kyondo" Woven Handbags	Catalog & Marketing Trip to Spain and France. Trade Show: Participate in Barcelona Giftware show.
9	Makindu Growers & Packers Ltd.	Mr. O.P. Bij, Managing Director	P.O. Box 45308, Nairobi Phone: 223122 Fax: 335506	#03 \$ 1,355	Small # of Emp. 50	Vegetables (Asian : mainly)	Marketing trip: to UK, France, Austria & Germany.
10	Ng'uuru Gakirwe Water Project	Mr. Andrew Botta, Co-ordinator	P.O. Box 14343, Nairobi Phone: 442081 Fax: 442081	#10 and #34 \$ 873 \$ 2,531	Small # of Emp. 18	Packed Herbs, Carcade, Camomile, Lemon Grass	To visit Italy to streamline dealer distribution among 3 major buyers, negotiate new orders prices & introduce new "herbal jam" product. To carry out a product promotion program in PTA (E.A. Hotels) by placing an advertisement in the new "Kenya Product Showcase" magazine and producing a one page product catalog.
11	Echuka Investments Ltd.	Mrs. Cecilia G. Cege, Chairman	P.O. Box 232, Karuri Phone: 0154-41242/41977	#20 \$ 4,455	Large # of Emp. 109	Dairy Products, Vegetables	To undertake industrial training in dairy production/operations in UK for 4 production technicians.
12	Sanpac Ltd.	Mr. J.N. Diga	P.O. Box 20496, Nairobi Phone: 802305/6/7/8 Fax: 802104	#335 \$ 2,247	Large # of Emp. 149	Plastic containers: jars, bottles, netting.	Participation in 1995 Addis Ababa International Exhibition, conducted further market research and promotion for Ethiopia. Sanpac is proposing second activity for marketing activities in Rwanda.

#	Company Name	Contact Person/Title	Address/Phone/Fax	EDF Grant # & Value	Company Size	Products	EDF Intervention
13	Highview Farm Limited	Mrs. R.W. Mwicigi, Managing Director	P.O. Box 30019, Nairobi Phone: 448182/3 Fax: 448184	#41 \$ 19,994	Large # of Emp. 150	Fresh Cut Flowers	To send a Production Manager for 3 months of technical training in floriculture to the Larenstein International Agricultural College, Netherlands; and to obtain consulting and training services from Sunrose Nurseries Ltd. twice monthly for a year.
14	Wet Farm Limited	Mrs. E.W. Thande	P.O. Box 14725, Nairobi Phone: 0154-41315/42104	#45 \$ 11,333	Medium # of Emp. 60	Cut Flowers: Lillies, Alstromeria Eryngium, Zantedeschia	To retain services of a local consultant for a period of 10 months. Mr. Isaiah Ngumi Njoroge will provide technical assistance in the following areas: Production, Pest and Disease Control, Selection of new varieties, Propagation and Record Keeping.
15	Kisengela Farm	Mr. Sadique Mullei, Managing Director	P.O. Box 34255, Nairobi Phone: 713703	#32 \$ 25,000	Small # of Emp. 23	Mangetout, Beans, Chillies, Dry Beans	To obtain services of consultant, Mr. D.M. McHattie, to provide: financial planning for expansion of produce handling; export produce selection training, design of quality control program; export market development in U.K. and W. Europe.

APPENDIX IV

KEDS:

- 1 EDF ELIGIBILITY CRITERIA FOR FIRM LEVEL ASSISTANCE**
- 2 EDF GENERAL REGULATIONS**
- 3 PRIVATE SECTOR BASELINE SURVEY QUESTIONNAIRE**
- 4 EDF SITE VISIT SURVEY FOR COST-SHARING ASSISTANCE QUESTIONNAIRE**
- 5 EDF APPLICATION FORM FOR COST-SHARING ASSISTANCE**

APPENDIX IV

1 EDF ELIGIBILITY CRITERIA FOR FIRM LEVEL ASSISTANCE

KENYA EXPORT DEVELOPMENT SUPPORT PROJECT

EXPORT DEVELOPMENT FUND

ELIGIBILITY CRITERIA FOR FIRM LEVEL ASSISTANCE

1. OWNERSHIP & TYPE OF EXPORTS

Kenyan firms - wholly local and mixed foreign/local - with private ownership and management actively engaged in or committed to the export of non-traditional products and services and providing significant added value. Priority will be given to firms already actively engaged in exporting on a regular basis.

2. FIRM SIZE

Growth/expansion oriented Kenyan firms. Priority will be given to small and medium sized firms (11 - 100 employees)

3. PRIORITY INDUSTRIES

Priority will be given to the following industry sectors:

Horticulture: Fresh - cut flowers, pre-packed fresh fruits and vegetables, high value bulk fruits and vegetables representing new product entrants and/or new market entrants; or Processed - fruit juices, IQF (individually quick frozen) vegetables, other high quality processed products.

Manufacturing: Medium-sized growth oriented firms providing significant added value to products and utilizing less than 50% raw material imports.

4. ORGANIZATION & MANAGEMENT

Kenyan firms with a stable and sound organizational structure; capable and qualified management; committed to the development and growth of exporting, in both the near and long term.

5. FINANCE

Financially sound and viable Kenyan firms with adequate company resources/capacity to finance 100% of the upfront project cost requirements.

6. ASSISTANCE LEVELS

Financial assistance from the Export Development Fund will be on a 50% cost sharing reimbursement basis at a maximum level of US\$ 25,000 per intervention not to exceed US\$ 50,000 per firm during the KEDS Project.

7. ELIGIBLE AREAS OF ASSISTANCE

Export-oriented areas eligible to receive assistance may include:

Marketing - visits to export market destinations; participation at international trade shows; market research, feasibility studies; advertising campaigns.

Technical - technical product development, quality improvement, line extension; development of quality control, assurance, maintenance systems; packaging design/redesign; technical training in other production related areas.

Management - reorganization, export marketing plan or business plan.

Multiple Firm Assistance - KEDS encourages funding support on a sectoral and/or functional basis for several firms identifying a commonly required activity or consultancy in acceptable areas.

8. AREAS NOT ELIGIBLE FOR ASSISTANCE

In accordance with U.S.A. legislation and USAID policy, the KEDS Project may not provide direct assistance as follows:

Industries: Textiles, leather, sugar, citrus, palm oil, petroleum products; traditional agricultural commodities (i.e. tea, coffee, etc.); EPZ and MUB firms; parastatals; wholly foreign owned firms; new business entrants.

Types of assistance: No financial loans, guarantees, credits, refinancing, venture capital equity funding;

Ongoing capital development, capital projects, recurrent business expenditures.

These eligibility requirements may be amended from time to time as the Project progresses and as agreed to by KEDS and USAID.

APPENDIX IV

2 EDF GENERAL REGULATIONS

KENYA EXPORT DEVELOPMENT SUPPORT PROJECT

EXPORT DEVELOPMENT FUND

GENERAL REGULATIONS

1. ASSISTANCE LIMIT

Participation in the Export Development Fund is on a 50% reimbursable cost-sharing basis with KEDS assistance not to exceed maximum US\$ 25,000 per intervention and US\$ 50,000 total to any one firm during the life of the KEDS Project.

2. APPLICATIONS FOR FUNDING

Applications for assistance from the Fund shall be made in writing in advance for a specific export related activity. Applications should include a clear statement of objectives including the program cost and estimated impact on employment, export sales and revenue levels. In order to finalise appraisal of applications for funding, KEDS may require applicants to submit more information regarding their firms.

Retroactive applications are not eligible.

3. SUCCESSFUL APPLICATIONS

Following receipt of properly completed application, the KEDS Project will respond within 30 days as to the application status and the need for additional information, if any. Once an application has been approved, the firm must confirm its acceptance to KEDS within 14 days of receipt of notification.

KEDS reserves the right to seek references from sources it deems necessary regarding the operation of the applicant firm before awarding financial assistance under this program. Applicants are strongly advised that giving false information/facts will lead KEDS to immediately suspend consideration of the offending firm's application or to withhold payment of funds for programs approved and/or completed.

4. DISBURSEMENT CONDITIONS

The specific terms and conditions of the project funding will be detailed in a signed letter of agreement between the beneficiary firm and the KEDS Project and considered binding. Any deviation from the approved activity to another **MUST** be approved in advance and in writing by KEDS. Disbursements shall be on a 50% cost-shared reimbursement basis with the beneficiary firm producing bonafide evidence, including invoice submissions on which any KEDS reimbursement will be based.

Specifically, receipts are required as evidence of hotel accommodation payment. Taxi receipts are required for charges exceeding US\$ 25. Taxi receipts are not required for charges below US\$ 25 but the cost can only be reimbursed against a detailed written claim showing dates, destinations, reasons and amount paid. Receipts are not required for charges for meals and incidentals (meals, tips, phone calls, laundry, snacks, drinks) though these are covered by the USAID per diem rates applicable to each city visited. Original copies of air tickets are required as proof of air travel. Travel reimbursement will be at the economy class rate.

KEDS reserves the right to verify costs incurred by the beneficiary firms either itself or through a qualified third party.

If the firm's legal (including declaration of bankruptcy, liquidation, receivership), ownership, management status changes during or following conclusion of the agreement, the firm is responsible for immediately notifying KEDS; failure to do so may result in termination of the agreement. Under those circumstances, program funding/disbursement is subject to reappraisal at the sole discretion of the KEDS Project.

Financial assistance under this program is offered at the sole discretion of the KEDS Project and is subject to the availability of Project funds. The beneficiary firm is responsible for claiming payment. If claims are not made within 3 months following completion of the venture, unclaimed funds may be reallocated.

5. UNIT OF CURRENCY/PAYMENT

Disbursements of funds will be made in Kenya Shillings (or US\$ if justified). The CBK mean rate of exchange operating at the time of the procurement will be applied.

6. MONITORING

To enable the KEDS Project to monitor the impact and effectiveness of support on export sales, forex earnings and employment, the beneficiary firm will semi-annually submit statistics for export sales, forex earnings and employment. This information will continue to be provided for 3 years following completion of the funded project.

The beneficiary firm will also, from time to time and as appropriate, agree to consultative visits/meetings with KEDS officials to review export progress vis-a-vis objectives.

7. CONFIDENTIALITY

KEDS assures all potential candidate firms that the information they provide, both to support their applications and to fulfil the monitoring requirements, will be used solely for those purposes. KEDS reserves the right to verify such information through a bonafide third party approved by KEDS when necessary and appropriate.

Apart from the circumstances stated above, KEDS will NOT divulge the information to any third parties without the consent of the concerned firms.

APPENDIX IV

3 PRIVATE SECTOR BASELINE SURVEY QUESTIONNAIRE

KENYA EXPORT DEVELOPMENT SUPPORT (KEDS) PROJECT PRIVATE SECTOR BASELINE SURVEY QUESTIONNAIRE

INSTRUCTIONS: Please fill in the information to the best of your ability. All responses will be kept in strict confidence. Please note that all requests for annual data (eg. 1994) refer to CALENDAR YEARS (ie. from January to December). All questions regarding EXPORTS should be valued at f.o.b.. Also please note that all questions are relevant to all firms. Therefore, we would like to request that you try to answer all questions to the best of your ability. Thank you.

1. Person(s) and Title(s) Completing Questionnaire

	Name	Position/Title	Phone No.
1.1	_____	_____	_____
1.2	_____	_____	_____
1.2	_____	_____	_____

2. Date questionnaire completed (day/month/year) ____ / ____ / ____

GENERAL INFORMATION ABOUT THE ENTERPRISE

	Headquarters	Plant
3. Name of Firm	_____	_____
4. Address:		
	P.O Box _____	_____
	Street Address _____	_____
	City _____	_____
5. Telephone	_____	_____
6. Telex	_____	_____
7. Fax	_____	_____
8. Please Indicate the Firm's Importer/Exporter Code Number (if applicable)	_____	
9. Year Firm was Established	_____	
10. Managing Director	_____	
11. What is the <u>type of ownership</u> of your enterprise (please <u>tick only one</u>)		
11.1	<input type="checkbox"/>	Wholly-Owned Locally (Private ownership)
11.2	<input type="checkbox"/>	Mixed Local-Foreign Ownership (Private ownership)
11.3	<input type="checkbox"/>	Wholly-Owned Locally (with public shares)
11.4	<input type="checkbox"/>	Mixed Local-Foreign Ownership (with public shares)
11.5	<input type="checkbox"/>	Co-operative
11.6	<input type="checkbox"/>	Parastatal
11.7	<input type="checkbox"/>	Other (please specify) _____

12. What was the net worth of the firm (in million Kenya Shillings) at the end of calendar year 1992, 1993 and 1994 [please fill in for each year]

	1992	1993	1994
Ksh	_____	_____	_____

13. Type of Enterprise (tick all appropriate)

AGRICULTURE/FOOD PROCESSING

	Fresh		Processed
	Bulk	Pre-Packed	
13.1 Cut Flowers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13.2 Fruits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13.3 Vegetables	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13.4 Fish	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13.5 Meat	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13.6 Other (please specify) _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

MANUFACTURING

13.7 Furniture/Furnishings	<input type="checkbox"/>
13.8 Pharmaceuticals	<input type="checkbox"/>
13.9 Chemicals	<input type="checkbox"/>
13.10 Cosmetics	<input type="checkbox"/>
13.11 Textiles	<input type="checkbox"/>
13.11.1 Milling	<input type="checkbox"/>
13.11.2 Spinning	<input type="checkbox"/>
13.11.3 Weaving	<input type="checkbox"/>
13.11.4 Ready-Made/Finished Clothes	<input type="checkbox"/>
13.12 Other (please specify) _____	<input type="checkbox"/>

OTHER

13.13 Service	<input type="checkbox"/>
13.14 Trading Firm	<input type="checkbox"/>
13.15 Other (please specify) _____	<input type="checkbox"/>

14. Please indicate the number of Employees

	1992		1993		1994	
	Men	Women	Men	Women	Men	Women
14.1 Employed full-time employees by your Enterprise	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
14.2 Employed full-time casuals by your Enterprise	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
14.3 Employed part-time casuals by your Enterprise	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

PRODUCTION

15. Please list major products produced in 1994 in relation to TOTAL PRODUCTION (ie, list most important product by value first)

15.1	_____
15.2	_____
15.3	_____

16. For the most important major product produced in 1994, please indicate the percentage of VOLUME (if applicable), and percentage of VALUE (if applicable) of your TOTAL PRODUCTION.

<u>PRODUCT</u>	<u>% TOTAL VOLUME</u>	<u>% TOTAL VALUE</u>
_____	_____ %	_____ %

17. Do you purchase finished products from outside/other suppliers to supplement your own production? (please tick one)

Yes No

18. Is your production seasonal? (please tick one)

Yes No

19. Please indicate the percentage of total volume produced during the following periods:

Jan - Mar
_____ %

Apr - Jun
_____ %

Jul - Sep
_____ %

Oct - Dec
_____ %

20. If your sales orders increase, can you increase your production to fulfill new orders?

Yes

No

21. If you cannot increase your production to meet an increase in sales orders, could you please list (by order of most important) the reasons why not? (please fill in the spaces)

21.1 _____

21.2 _____

21.3 _____

22. What percentage of the value of your raw materials is imported (ie, imported raw materials, including packaging) - [please tick only one]

22.1 not at all (ie, 0%)

22.2 up to 10%

22.3 between 10 - 25 %

22.4 between 25 - 50 %

22.5 more than 50 %

23. Please provide the gross value of ALL SALES in calendar year 1992, 1993 & 1994 (million Kenya Shillings) - [please tick only one for each year]

		1992	1993	1994
23.1	1 - 5 million Shillings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23.2	5 - 10 million Shillings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23.3	10 - 25 million Shillings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23.4	25 - 50 million Shillings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23.5	50 - 100 million Shillings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23.6	100 - 250 million Shillings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23.7	250 - 500 million Shillings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23.8	higher than 500 million Shillings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

EXPORTS

24. During which Calendar year did your firm begin exporting? _____

25. Please list major EXPORTS produced in 1994 in relation to ALL EXPORTS (ie, list most important export by value first)

- 25.1 _____
- 25.2 _____
- 25.3 _____

26. For the most important EXPORT exported in 1994, please indicate the percentage of VOLUME (if applicable), and percentage of VALUE (if applicable) of your TOTAL EXPORTS.

<u>PRODUCT</u>	<u>% TOTAL VOLUME</u>	<u>% TOTAL VALUE</u>
_____	_____ %	_____ %

27. Please provide the gross value of ALL EXPORT SALES for the following years (million Kenya Shillings) - [please tick only one for each year]

	1992	1993	1994
27.1 1 - 5 million Shillings	_	_	_
27.2 5 - 10 million Shillings	_	_	_
27.3 10 - 25 million Shillings	_	_	_
27.4 25 - 50 million Shillings	_	_	_
27.5 50 - 100 million Shillings	_	_	_
27.6 100 - 250 million Shillings	_	_	_
27.7 250 - 500 million Shillings	_	_	_
27.8 higher than 500 million Shillings	_	_	_

28. Please provide the percentage of total sales value represented by exports for each of the following years:

1992	1993	1994
_____ %	_____ %	_____ %

29. Please indicate your EXPORT MARKETS please tick appropriate for all years)

	1992	1993	1994
29.1 PTA	_	_	_
29.2 Other East Africa	_	_	_
29.3 Other Africa	_	_	_
29.4 Middle East	_	_	_
29.5 Europe	_	_	_
29.6 South Asia	_	_	_
29.7 Far East	_	_	_
29.8 North America	_	_	_
29.9 Other (please specify)___	_	_	_

30. Of those export markets listed above, which accounted for the largest share of the volume of your exports in the following years? For each year please fill in the name of the export market and the percentage of total export volume that went to that destination.

	1992	1993	1994
Export Market	_	_	_
Percentage	_	_	_

31. Do you expect your level of EXPORT SALES volume to be higher, lower, the same this year (1995) as last year (1994) and by what percentage - [please tick only one box]

	Higher than 1994	Lower than 1994	Same as 1994
31.1 Less than 10%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
31.2 Between 10 - 25%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
31.3 Between 25 - 50%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
31.4 More than 50%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

32. Do you expect your level of exports sales volume to be higher, lower, the same next year (1996) as this year (1995) and by what percentage - [please tick only one box]

	Higher than 1995	Lower than 1995	Same as 1995
32.1 Less than 10%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
32.2 Between 10 - 25%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
32.3 Between 25 - 50%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
32.4 More than 50%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

33. Please indicate which factors positively or negatively affected your firm's exports in 1994.
(please tick all appropriate)

	Positive	Negative
Government		
33.1 Government controls (eg, licensing, permits, etc.)	<input type="checkbox"/>	<input type="checkbox"/>
33.2 taxes, tariffs, duties (eg, VAT, import duties, etc.)	<input type="checkbox"/>	<input type="checkbox"/>
33.3 other government (please specify) _____	<input type="checkbox"/>	<input type="checkbox"/>
Finance/Foreign Exchange		
33.4 credit/finance (eg, cost, availability, etc.)	<input type="checkbox"/>	<input type="checkbox"/>
33.5 foreign exchange (eg, availability, cost, access, etc.)	<input type="checkbox"/>	<input type="checkbox"/>
33.6 banking requirements (eg, collateral/security)	<input type="checkbox"/>	<input type="checkbox"/>
33.7 other finance (please specify) _____	<input type="checkbox"/>	<input type="checkbox"/>
Marketing		
33.8 market information	<input type="checkbox"/>	<input type="checkbox"/>
33.9 export market conditions (eg, packaging requirements, quotas, etc.)	<input type="checkbox"/>	<input type="checkbox"/>
33.10 company marketing/promotion	<input type="checkbox"/>	<input type="checkbox"/>
33.11 other marketing (please specify) _____	<input type="checkbox"/>	<input type="checkbox"/>
Business Environment/Other		
33.12 raw materials (eg, supplies, availability, etc.)	<input type="checkbox"/>	<input type="checkbox"/>
33.13 labour (eg, cost, supply, skills, etc.)	<input type="checkbox"/>	<input type="checkbox"/>
33.14 transport (eg, links, availability, access, etc.)	<input type="checkbox"/>	<input type="checkbox"/>
33.15 competition (eg, domestic, international, etc.)	<input type="checkbox"/>	<input type="checkbox"/>
33.16 inflation	<input type="checkbox"/>	<input type="checkbox"/>
33.17 equipment/spare parts	<input type="checkbox"/>	<input type="checkbox"/>
33.18 other (please specify) _____	<input type="checkbox"/>	<input type="checkbox"/>

34. Please list the single most important constraint on your exports in 1994 (fill in the blank) _____

35. If single most important constraint on your exports were removed (ie. positively addressed), by how much do you believe the VALUE OF YOUR EXPORTS could increase? (please tick only one)

- 35.1 not at all (ie. 0%)
- 35.2 up to 10%
- 35.3 between 10 - 25%
- 35.4 between 25 - 50%
- 35.5 more than 50%

36. Which of the following Government EXPORT INCENTIVES have you used in: (please tick all appropriate)

	1994	1995
36.1 Duty/VAT Remission	<input type="checkbox"/>	<input type="checkbox"/>
36.2 Export Compensation	<input type="checkbox"/>	<input type="checkbox"/>
36.3 Manufacture Under Bond (MUB)	<input type="checkbox"/>	<input type="checkbox"/>
36.4 Export Processing Zones (EPZs)	<input type="checkbox"/>	<input type="checkbox"/>
36.5 Foreign Exchange Retention (FER)	<input type="checkbox"/>	<input type="checkbox"/>
36.6 EPPO (Export Promotion Programmes Office)	<input type="checkbox"/>	<input type="checkbox"/>

37. If you do not use any of these Government EXPORT INCENTIVES please indicate why not? (please fill in the blank with a short answer) _____

38. Could the Government do something that would help improve/increase your firm's exports in the coming year?

38.1 Yes No Do not know

38.2 If so, what could the Government do? _____

39. What types of assistance do you need to increase your export performance? (Please list the most important first and be specific.)

39.1 _____

39.2 _____

39.3 _____

APPENDIX IV

**4 EDF SITE VISIT SURVEY FOR COST-SHARING ASSISTANCE
QUESTIONNAIRE**

KENYA EXPORT DEVELOPMENT SUPPORT (KEDS) PROJECT

EXPORT DEVELOPMENT FUND

SITE VISIT SURVEY FOR COST-SHARING ASSISTANCE

(Confidential)

Ref: Application No. _____ Date: _____
Company Name: _____
KEDS Rep: _____

I. PRODUCT

The purpose of this evaluation is to physically confirm that the company produces its product in sufficient quality and quantity to compete in the international marketplace. Ask the business representatives:

***HOW THEY PERCEIVE THEIR PRODUCT(S)
VIS-A-VIS THE INTERNATIONAL COMPETITION (SUPERIOR, COMPARABLE,
INFERIOR)***

- **Quality** _____

- **Price** _____

- **Performance** _____

- **Appearance/Packaging** _____

- **Availability** _____

- **Delivery/Distribution** _____

- **Promotion/Advertising** _____

- **Credit Terms** _____

- **Profit Margins** _____

- **Market Share** _____

- **Product Line** _____

II. MARKETING

The purpose of this evaluation is to evaluate the:

LEVEL OF AWARENESS AND SOPHISTICATION OF THE FIRM'S MARKETING PROWESS.

In the Application we asked them to identify their 5 most important export markets. During the site visit, we wish to evaluate their awareness by learning:

Why has the company chosen to target a particular market, ie. what market research have they done specifically?

Which countries (or companies) compete with them in those key markets, and on what terms do they compete (price, quality, etc.)?

What is the nature of their current and future distribution channel, ie. wholesaler, agent, direct retailing?

Do they have a clear idea of market objectives should the application for firm-level assistance be approved, and what are the objectives?

What are current employment levels of the following (permanent & casuals)?

Men _____ Women _____

What are the effects of these business activities on indirect employment; including outgrowers, micro enterprise, small holder, women, cooperatives?

III. PERSONNEL/MANAGEMENT TEAM

The purpose of this evaluation is to evaluate the:

CAPABILITY OF KEY SENIOR PERSONNEL

Please gather the names of the key personnel, and their ties to the firm by completing the following table:

NAME	RESPONSIBILITY	YRS W/ ORG.	EDUC/EXPERIENCE

IV. GENERAL COMMENTS/RECOMMENDATIONS FOLLOWING SITE VISIT:

V. Does the requested intervention have any potential environmental impacts that requires further examination?

APPENDIX IV

5 EDF APPLICATION FORM FOR COST-SHARING ASSISTANCE

10. Major Products - Products Exported:

1994

	<u>% of Total Export volume</u>	<u>% of Total Exports revenue</u>
1) _____	_____	_____
2) _____	_____	_____
3) _____	_____	_____
Total export volume (Qty)*	_____	Export Rev (Ksh) _____

* State in standard measurement used by your firm i.e. tons, cases, stems, etc.)

Business Review

	Actual					Forecast*		
	1993	1994	1995			1996		
			Women	Men	Total	Men	Women	Total
Total Employees								
Total Revenue ('000 Kshs.)								
Export Countries (Your Top 5)	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.			1. 2. 3. 4. 5.		

* use the following assumptions for forecast:

No support from KEDS
 20% annual inflation
 Exchange rate Kshs.45 = \$ 1

11. Imports as a % of raw materials used _____

12. Project Assistance Requested

- a) Check the specific priority problem area for which you seek consultancy assistance: tick no more than three activities that related:

Technical Consultancy

Equipment Maintenance _____
Quality Control/Assurance _____
Specialized Production Techniques _____
Crop husbandry/farming _____
Product development/improvement _____
Packaging development/improvement _____
Feasibility Study - Technical _____
Purchasing System _____
Inventory control _____
Other _____

Marketing/Consultancy

Market research/survey/market visits _____
Trade show participation _____
Advertising, sales promotion _____
Bidding, estimating, negotiating _____
Pricing _____
Business plan development _____
Other _____

Management Consultancy

Financial Systems/Controls _____
Record keeping & accounting _____
Personnel mgmt/training _____
Office or plant management _____

Other _____
(Any other activity not listed above)

DATE _____

AGREEMENT NO. _____

EXPORT DEVELOPMENT FUND GRANT AGREEMENT

1. The KEDS Project hereby agrees to provide on a cost-sharing basis financial assistance to:

Company:

2. In order to:

3. The program costs are expected to be as follows:-

●	-----	-	Kshs.....
●	-----	-	Kshs.....
		Total -	Kshs.....

4. KEDS and the Firm agree to share the above costs on a 50% cost-sharing basis as per the management rules of the KEDS Export Development Fund (attached).

MR. PAUL GUENETTE

KEDS PROJECT



KENYA EXPORT DEVELOPMENT SUPPORT

(A Project Funded By USAID)

GRANT NO. _____

EXPORT DEVELOPMENT FUND

GRANT SUMMARY

1. Name and Address of Firm: _____

2. Key Contact and Title: _____
3. Ownership: _____
4. Size of Firm: _____ # of Employees: Male: ___ Female: ___ Total: ___
Export Sales 1994: \$ _____
Domestic Sales: \$ _____
5. Main Products: _____
6. Project Proposal: _____
Activity Type: _____
Project Cost Proposal: \$ _____
7. Proposed KEDS Contribution: \$ _____ (50%)
8. KEDS' Strategic Plan: KEDS approves the request and has made a provision for \$ _____
9. Justification: _____

PAUL C. GUENETTE
CHIEF OF PARTY

DATE

MIGWE KMEMIA

DATE

KENYA EXPORT DEVELOPMENT SUPPORT

Firm Contact Details Form

Type of contact (meeting, visit, call, etc.)

Date

Co. name:

KEDS staff:

Summary of contact (please be very brief)

APPENDIX V

KEDS INSTITUTIONAL STRENGTHENING TRACKING SHEET:

- 1 KAM**
- 2 HCDA**
- 3 F-PEAK**

APPENDIX V

1 KAM

INSTITUTIONAL STRENGTHENING TRACKING SHEET

KAM

IDENTIFIED NEEDS	KBDS ACTION	DATE	RESULTS	COMMENTS/FOLLOW UP
Procurement/Computers Training				
Procure 3 more computer terminals, laser printer, fax machine, copy machine, slide projector, 100 magazine boxes, magazine display racks.	Procurement completed; Subsequent replacement procurement undertaken; Surge protectors prescribed.	1992-94	Equipment installed, personnel trained, initial maintenance & service contracts provided	First fax burned out, so was replaced with PEMU fax; Laser printer broken, repair unsuccessful (8/94), replaced (11/94).
Subscribe to a range of technical and marketing services and periodicals.	Initial procurement done; ongoing as per requests.	1992-94	Initial orders received, some renewals if deemed worthwhile and cost-effective.	New discussions underway regarding additional publications appropriate for Mkt Info System.
Provide computer training to marketing, program, training and public relations managers.	Managers and middle-level executives and secretaries trained in Computer Intro, WordPerfect, Lotus, Dbase and PageMaker.	1992-94	Mixed results, requires further investigation and documentation for program follow-up.	KAM has lost two managers in 1994; current study by E.S.A. Consultants has staff & ops recommendations.
Publications/MKIS				
Establish a system for cataloguing information in the Resource Library.	Trained staff in library organization and in the use of CDS/ISIS bibliographic software and assisted in removing outdated publications and cataloguing new publications.	Nov. 1993	Additional assistance needed in completing the electronic cataloguing and in the operation of the CDS/ISIS library information system.	Discussions with KAM (9/94) indicated KAM prefers local library system; we asked KAM to identify local expert & cost.
	Re-organized library documents and publications.	Dec. 1994	In response to agreed upon completion of organization.	Mr. Mbogua, U of Nairobi completed work according to KAM requirements.
Expansion of text and improvement of presentation of quarterly news bulletin.	Trained 2 KAM staff members in desktop publishing techniques (PageMaker) and in newsletter formatting.	Nov. 1993	July 1994 First modern newsletter published (Shiga, Editor)	Laser printer break-down causing problems, unable to repair (9/94); replaced (11/94).

IDENTIFIED NEEDS*	KEDS ACTION	DATE	RESULTS	COMMENTS/FOLLOW-UP
Provide market information management training to the 4 executive officers.	Conducted 2-day workshop in market information retrieval & analysis including presentation of data using LOTUS 123 and sources of market information, searching in-house holdings using CDS/ISIS bibliographic software, retrieval of trade information using on-line (CD ROM), and graphical and textual presentation of market surveys.	Nov. 1993 Febr. 1994 Dec. 1994	Evident that further training is needed in LOTUS 123 prior to future training workshops in market analysis. Follow-up recommended in assisting KAM in identifying various sources for external market information for specific KAM market analyses projects.	Discussions and experimentation suggest TINET, a computerized PTA-based Trade Information Network, but TINET proved inadequate. KEDS and KAM are now discussing a simpler, hardcopy market information system which would be easier to use, would be disseminated.
Trade Show Attendance/Participation				
KENTEX '94-Nairobi	Contributed organizational management to private show promoter to launch show called "Kenya's first business and industrial trade exhibition." Guided KAM Export Sector planning for KAM booth management, financed booth design & construction. Conducted guided walk-through of show for KAM members.	29 Sept. - 2 Oct 1993	KAM staff manned their first ever stand at an international trade show, passing out information and industry lists covering the 250 exporters.	
Uganda International Trade Fair - 1993	Contributed management and organizational counsel prior to the trade fair, working with KAM and the GOK to establish the Kenya Pavilion Supported the KAM information Center which distributed KAM promotional literature and handled logistical support for exhibitors in the Pavilion Budgetary support included the booth and KAM staff support	29 Oct. - 9 Nov. 1993	The Kenya Pavilion in Kampala housed 19 exhibiting firms who reportedly negotiated over \$US 1 million in sales during the show with more orders placed subsequent to show.	Kampala was the first instance of GOK support for a KAM coordinated participation in an international trade show; GOK's Dept of External Trade, KAM and KEDS agreed to support this model effort in future shows.

IDENTIFIED NEEDS	KEDS ACTION	DATE	RESULTS	COMMENTS/FOLLOW-UP
Dar es Salaam '94 International Trade Fair	<p>Participated in show participation planning with KAM Export Sector Group</p> <p>Assisted KAM in working with the Commerce Ministry's Dept. of External Trade to develop a Kenya KAM Pavilion</p> <p>Budgetary contribution to Secretariat travel/hotel costs and booth, and individual company booth sign boards</p>	1-7 July 1994	26 exhibitors participated under the collaborative KAM banner in the Kenya Pavilion of the exhibition hall; exhibitors reportedly closed deals during the show worth US\$ 1.6 million.	Tanzania needs to publish an updated PTA tariff book to facilitate Kenya's exports into Tanzania; border crossing and customs processing remain problematic.
Uganda International Trade Fair - 1994	<p>Participated in show participation planning with KAM Export Sector Group</p> <p>Assisted KAM in working with the Commerce Ministry's Dept. of External Trade to develop a Kenya KAM Pavilion</p> <p>Budgetary contribution to Secretariat travel/hotel costs and booth, and individual company booth sign boards</p>	7-12 Oct. 1994	29 exhibitors participated under the collaborative KAM banner in the Kenya Pavilion of the exhibition hall; exhibitors reportedly closed deals during the show worth US\$ 2 million.	Second time KAM led Kenyan Pavilion at this show with KEDS support; next year KEDS proposes PTA Pavilion site instead of Kenyan building adjacent.
Kenya Solo Show - Zambia	<p>Participated in show participation planning with KAM, Dept. of External Trade and EPC.</p> <p>Budgetary contribution to KAM Secretariat travel/hotel costs, including one staffer and the KAM Chief Exec.</p>	20-25 Mar. 1995	25 exhibitors participated under the Kenya/KAM banner	Collaborative effort with EPC and DET.
Dar es Salaam '95 International Trade Fair		1-9 July 1995		
Uganda International Trade Fair - 1995		29 Oct - 9 Nov. 1995		

IDENTIFIED NEEDS*	KEDS ACTION	DATE	RESULTS	COMMENTS/FOLLOW-UP
Outreach				
Sponsor technical seminars	Sponsored Export Finance for Manufacturers workshop	Feb. 8, 1994	62 paying participants; Workshop so popular, second session scheduled; Rated 4.5 out of 5 regarding content and presentation.	
	Sponsored Export Finance for Manufacturers workshop	Feb. 14, 1994	65 paying participants; Rated 4.5 out of 5 regarding content and presentation.	Continue to press Export Sector Group for technical workshop priorities; will stage another workshop early 1995.
	Sponsored Import/Export Workshop in Eldoret on Pre-shipment Inspection	Mar. 2, 1995	35 persons (24 paying); Rated highly on relevancy and appropriateness.	
Attend KAM Export Committee meetings	KEDS COP & EDA participate in regular Export Sector meetings & in KAM's trade show preparation team meetings.	Regular, Periodic 1992-95	KAM Secretariat clarified support structure for exports, ie. CE responsible for management oversight, 2 KAM staffers manage program.	Continue to reinforce CE & staff relationships to ensure smooth program functioning;
Longer Term Outlook				
KAM is a relatively well-established association; offices are now spacious with parking available (KAM moved to Westlands in 1993), staff are increasingly successful in lobbying policy with the GOK, generating publications and generally responding to member needs. Areas for future development include: Enhanced in-house publishing capabilities, Improved self-management in international trade shows, and an in-house technical workshop capability. KEDS to rethink strategic plan following release of upcoming report by East African Consultants, expected mid-1995.				

*Needs defined by the KEDS September 1992 Needs Assessment Study and subsequent needs analyses.

APPENDIX V

2 HCDA

INSTITUTIONAL STRENGTHENING TRACKING SHEET

HCDA

IDENTIFIED NEEDS*	KEDS ACTION	DATE	RESULTS	COMMENTS/FOLLOW-UP
Procurement/Computers Training				
Procure four computers; a laser printer; a slide projector; 100 magazine boxes; one magazine rack; and 10 bookshelves.	Procurement done.	1992-93	Equipment in place and functioning; staff trained in its use; HCDA has taken over service contracts.	HCDA needs an additional printer (exp database); local purchase complete (1/95).
Subscribe to a range of technical and marketing services and periodicals.	Initial procurement done; ongoing as per requests.	1992-94	Initial orders received, some renewals if deemed worthwhile and cost-effective.	
Provide computer training to marketing, program, training and public relations managers.	Computer training carried out for senior and middle managers in WordPerfect, Lotus, Dbase & PageMaker.	1992-94	HCDA Management team now conversant in software, printing in-house own quarterly publication, soon managing export database and disseminating results to exporters	
Publications/MkIS				
Publish a postharvest crop manual	STTA Greenham guided HCDA Task Force to produce <u>its own</u> 350-page draft.	August 1993	Draft document printed/circulated by Task Force to authorities in Kenya/EC for corrections.	Next step: Task Force complete final text draft here, add illustrations, solicit editing assistance; Send to DAI publishing office to prepare photo-ready version for printing in Kenya.
	KEDS continues Task Force direction via weekly meetings to guide revision process, incorporate corrections.	Nov 1993 - June 1994	Task Force incorporated via consensus suggestions for revisions in text.	
	Task Force solicits bids for artwork, poster and availability calendar design and printing.	July - September 1994	Design House wins bid to publish marketing materials which will be passed to FPEAK members.	
Establish a Resource Centre and train an HCDA staff person to maintain it on a part-time basis.	Done. KEDS purchased bookcases locally for resource center, HCDA assigned 2 staff to manage.	1992-93	Resource center in HCDA Board Room has HCDA staff person assigned and managing facility; staff use center regularly.	

IDENTIFIED NEEDS	KEDA ACTION	DATE	RESULTS	COMMENTS/FOLLOW-UP
Provide market information management training to marketing, program, training, and public relations managers.	<p>Information Systems STTA (Fernandes) evaluated HCDA system needs and designed database system to track hort exports, compile and analyze data.</p> <p>Programmer STTA (Wasonga) constructed program, report formats, user manuals.</p>	<p>May 1994</p> <p>August - Sept 1994</p>	<p>Dbase system deemed appropriate for HCDA; HCDA Operations Mgr headed evaluation team to identify needed data, suggest structure.</p> <p>Programming now in final stages (Sept 1994), due for completion by early October.</p>	Construct computerbased programs to manage system, identify info gathering system, de-bug software, make system operational.
Reestablish the quarterly newsletter.	Done. The HCDA Newsletter, <i>The Horticultural News</i> , is now in publication, done in-house by HCDA staff. Mar/Apr 1995 edition done commercially by Kem Trust.	<p>Mar 1994</p> <p>Jun 1994</p> <p>Sep 1994</p> <p>Apr 1995</p>	HCDA publications staff were trained in PageMaker; middle management contributed articles; HCDA staff edited.	
Trade Show Attendance/Participation				
NRI - Opportunities for Growth in Horticulture in East Africa - Nairobi	<p>Guided HCDA planning for booth management, financed booth design & construction.</p> <p>Assisted and financed preparation of printed materials for hand-out at show, including organizational summary sheets.</p>	28-30 Sept. 1993	HCDA organized and manned its own international trade show booth	British High Commission and natural Resources Institute sponsored this show.
HORTEC '94 - East Africa's First International Horticulture Trade Show - Nairobi	<p>Guided HCDA planning for booth management, financed booth design & construction.</p> <p>Assisted and financed preparation of printed materials for hand-out at show, including HCDA brochure and Crop Availability Calendar</p>	16-19 March 1994	45 Exhibitors of which 26 local, including institutional booth for HCDA; 4,000 paying visitors of which 200 from foreign countries; 10 associated technical workshops each attended by 120-170.	

IDENTIFIED NEEDS*	KEDS ACTION	DATE	RESULTS	COMMENTS/FOLLOW-UP
Outreach				
Initiate regular meetings with HCDA managers.	COP interacts with HCDA's M.D. Mulandi & Line Managers; AEDA interacts weekly with Manual Task Force.	Ongoing 1992-6	KEDS support program with HCDA is coordinated regularly by COP in meetings with HCDA Mgrs; KEDS AEDA meets weekly with Task Force.	
Produce HCDA promotional brochure, crop availability calendar to educate/inform and to assist HCDA/FPEAK to market.	Approved draft text, design, budget for printing of materials.	March 1994	HCDA managed printing of materials in time for distribution at HORTEC '94 show.	Sept-Dec. 1994: As part of Export Crop Manual, HCDA will develop and print an <u>improved</u> crop availability calendar, and posters on Kenya's exportable flowers, fruit & vegetables.
Sponsor 2 postharvest handling seminars.	KEDS co-organized/co-sponsored HCDA Workshop on "Kitchen Herbs & Spices," provided STTA (Coiner) to facilitate/advise.	12 Aug 1994	Numerous company visits by Coiner & workshop team (KEDS, HCDA, FPEAK, MoAg, KARI); over 70 participants in workshop.	Coiner left Kenya to visit Europe identify market depth & prices; report on Kenya/world situation was subsequently distributed to HCDA & FPEAK.
Longer Term Outlook				
As the KEDS team completes more immediate activities with HCDA staff members and management, issues of strategic development and management efficiency can be addressed with a finer understanding of operations, personalities, and realities. One topic which KEDS will continue to research is shifting the responsibility for export marketing to FPEAK. It is anticipated that a strengthened FPEAK could relieve a portion of the marketing burden currently on HCDA, freeing them to concentrate energies and resources increasingly on R&D, and outreach programs, deemed more appropriate "public sector" tasks. Crucial among these HCDA tasks in the near term, is an assessment of outgrower schemes for export produce.				

*Needs defined by the KEDS September 1992 Needs Assessment Study and subsequent needs analyses.

APPENDIX V

3 F-PEAK

INSTITUTIONAL STRENGTHENING TRACKING SHEET

FPEAK

INITIALS	ACTIVITY	DATE	RESULTS	COMMENTS/FOLLOW UP
Procurement/Computers Training				
Procure one computer; Wordperfect 5.1 and Lotus; one laser printer; one typewriter; one fax machine; one copier, one bookcase; 50 magazine boxes; one magazine wall rack; and one answering machine.	Procurement done.	1992-93 1995	Equipment in place and functioning; staff trained in its use. Replacement printer and second computer to be bought (3/1995)	Procurement of second computer concurrent with increased management staff.
Subscribe to a range of technical and marketing services and periodicals.	Initial procurement done; ongoing as per requests.	1992-95	Initial orders received, some renewals if deemed worthwhile and cost-effective.	
Provide computer training to marketing program, training managers.	Staff (Admin Officer) trained in WordPerfect, Lotus, Dbase and Pagemaker.	1993	Admin Officer managing FPEAK offices using KEDS-supplied hardware & software.	
Train new management as they join FPEAK.	KEDS organized computer training (Intro, WP and Lotus) for new Consultant (CEO) and Chairman.	Sept 1994 Dec. 1994	Managers took 30 hours of instruction at ICA training center over lunch hours 3 times/wk.	
Publications/MkIS				
Familiarize the executive officer with market information sources, establish market information system for members.	KEDS STTA (Klotzbach) trained Admin Officer in UNCTAD/GATT Market News Service accessing, report formatting and transmittal. KEDS installed modem and fax transmittal capacity on FPEAK computer. KEDS subscribed for FPEAK to COLEACP market news service.	Nov. 1993 Nov. 1993 April 1994	FPEAK Admin Officer operated data retrieval, report compilation and fax dissemination system for several months on subscription basis. Subscriptions were low (10 firms), expenses high (phone bills monthly), FPEAK suspended process. FPEAK Consultant (CE) began to insert Mkt Info excerpts into newsletters.	Need to reevaluate market information service, perhaps focus on Mkt Info (what is it, how to use) at workshops; hardcopy continues to be more practical, more acceptable to exporters; online continues to be unpopular, too costly.

IDENTIFIED NEEDS	KEDS ACTION	DATE	RESULTS	COMMENTS/FOLLOW-UP
Produce FPEAK promotional brochure.	Assisted in drafting text, provided sample graphics, recommended local layout/printer company.	Aug - Dec 1994	FPEAK taskforce supervised text editing, contacted layout/printer company for arrangement.	Jan. 1995: Printing done in time for distribution at Gulf Food Show.
Train the executive officer in simple cataloging techniques.	Training accomplished.	Nov. 1993	FPEAK Resources are arranged in Board Room, accessed by members.	Jan. 1995: Temp paid to update catalog system.
Assist with establishment of a regular one-page monthly bulletin.	<p>KEDS assisted FPEAK Admin Off to draft FPEAK's first, a one-page newsletter.</p> <p>FPEAK edited and printed own newsletter (without KEDS direct contributions) using PageMaker.</p> <p>KEDS urged FPEAK to accept advertising in newsletter.</p>	<p>May 1993</p> <p>April 1994</p> <p>June 1994</p>	<p>FPEAK printed in-house and sent to all members.</p> <p>New improved format well-received by members.</p> <p>Board agreed to accept advertising. August 1994 newsletter was self-financed by advertising.</p>	Advertising continues regularly to contribute to financing the FPEAK monthly newsletter.
Publication of an exporter member directory, complete with all contact information and list of products exported.	<p>KEDS urged computer-based listing to update members' phone/fax and products exported contacts.</p> <p>KEDS directed Nbi-based publishers to FPEAK.</p> <p>KEDS again directed Nbi-based publishers to FPEAK; KEDS contributed photos, graphs and text.</p>	<p>Sept 1993</p> <p>Dec 1993</p> <p>Jan 1995</p>	<p>FPEAK Admin Officer solicited updated information from members.</p> <p>Bus & Mktg Publicity Ltd. published "Horticultural Exporters Guide" including updated members directory.</p> <p>Bus & Mktg Publicity Ltd. published "Horticultural Trade Journal" including updated members directory, photos and articles on FPEAK activities.</p>	Bus & Mktg Publicity Ltd. first published a Horticultural Trade Journal as a market test in summer 1994, financed by advertising revenue. Second edition, featuring FPEAK, coincided with HORTEC '95.

IDENTIFIED NEEDS*	KEDS ACTION	DATE	RESULTS	COMMENTS/FOLLOW-UP
Trade Show Attendance/Participation				
NRI - Opportunities for Growth in Horticulture in East Africa - Nairobi	<p>Guided FPEAK planning for booth management, financed booth design & construction.</p> <p>Assisted and financed preparation of printed materials for hand-out at show, including organizational summary sheets.</p>	28-30 Sept. 1993	FPEAK organized and manned its own institutional international trade show booth for the first time ever.	British High Commission and natural Resources Institute sponsored this show.
HORTEC '94 - East Africa's First International Horticulture Trade Show - Nairobi	<p>Guided FPEAK planning for booth management, financed booth design & construction.</p> <p>Assisted and financed preparation of printed materials for hand-out at show, including first-ever FPEAK member directory</p>	18-19 March 1994	45 Exhibitors of which 26 local, including institutional booth for HCDA; 4,000 paying visitors of which 200 from foreign countries; 10 associated technical workshops each attended by 120-170.	
Sial '94 Food Show (Paris)	Guided FPEAK planning for booth management, financed booth design & construction; assisted in booth management at SIAL, counseled follow-up info dissemination to members.	23-27 Oct 1994	FPEAK educated world industry as to Kenya's status as world-scale supplier of fresh fruit and vegetables; serious enquiries were registered from 150 commercial sources; FPEAK follow-up distributed contacts to members.	Great learning experience for FPEAK - their first world-scale show; enormous credibility within world industry was gained from participation.
Aalsmeer '94 Flower Show (Holland)	Guided FPEAK planning for booth management, financed booth design & construction; counseled follow-up info dissemination to members.	2-6 Nov 1994	FPEAK educated world industry as to Kenya's status as world-scale supplier of cut flowers; serious enquiries were registered from 100 commercial sources; FPEAK follow-up distributed contacts to members.	

IDENTIFIED NEEDS*	KEYS ACTION	DATE	RESULTS	COMMENTS/FOLLOW-UP
Gulf Food Show '95 (Dubai, U.A.E.)	Guided FPEAK planning for booth management, design & layout; assisted booth managers, exhibitors with displays, booth management.	15-18 Jan 1995	FPEAK educated Middle East industry as to Kenya's status as world-scale supplier of fresh produce & cut flowers; serious enquiries were registered from 70 commercial sources; FPEAK follow-up distributed contacts to members.	
MIFLOR '95 - Milan Flower Show (Italy)	Under cooperative agreement with DET & EPC, aided FPEAK Secretariat (Admin Officer) through travel costs to organize FPEAK booth as part of Kenya stand.	Feb 1995	FPEAK directly dealt with Italian cut flower buyers who were previously buying Kenyan flowers from Dutch auctions. Deals were struck with FPEAK members manning stand (who had paid their own travel costs).	
HORTEC '95 (Nairobi) - East Africa's Second International Horticulture Trade Show - Nairobi	Oversee FPEAK budget for booth design & construction. Assisted and financed preparation of printed materials for hand-out at show, including improved FPEAK member directory in commercial publication.	Mar 1995	70 Exhibitors including institutional booth for FPEAK; 5,000 paying visitors; 5 associated technical workshops, managed by FPEAK, each with <u>paid</u> attendance of 120-170.	

IDENTIFIED NEEDS*	KEDS ACTION	DATE	RESULTS	COMMENTS/FOLLOW-UP
Organization				
<p>Strengthen FPEAK secretariat infrastructure and service providing capabilities.</p>	<p>KEDS persuades Board that greater presence will facilitate programs, urges formalization of procedures, businesslike approach to services.</p> <p>KEDS accepts executive search expense to identify 3 finalists for FPEAK Chief Executive slot, KEDS agrees to pay base salary for 18 months if FPEAK will pay benefits.</p> <p>KEDS participates in FPEAK planning of Nat'l Hort Conference.</p>	<p>Dec 1992</p> <p>April 1993</p> <p>Sept 1993 April 1994</p> <p>Aug 1994</p> <p>Sept 1994</p>	<p>FPEAK leases first-ever offices in Mpaka Plaza, Westlands; gets own phoneline.</p> <p>FPEAK holds first formal Annual General Meeting, attended by 42, votes to raise cess/dues.</p> <p>FPEAK sends first-ever fax.</p> <p>2nd formal AGM, 82 present, elects Get down-to-business Board with mandate to: Clean up accounts and documents, and strengthen Secretariat.</p> <p>Board unanimously selects Gray as CE consultant (18 mos), pending new budget to allow hiring understudy.</p> <p>Sept 21, FPEAK chairs Nat'l Hort Conference opened by Min AgLM&D.</p>	<p>Sept. 1994: KEDS STTA used (Zimmerman) to provide legal advice on amendments to Memo & Articles of Association.</p>
<p>Appoint a long-term KEDS advisor to honorary status on the FPEAK Board.</p>	<p>COP Guenette designated in writing to FPEAK as KEDS representative.</p>	<p>Mar 1994</p> <p>Sept 1994</p>	<p>Guenette regularly attends FPEAK Board meetings.</p> <p>EDA Durgan appointed to Mktg Committee, Code of Practice and Nat'l Hort Conf. Task Forces.</p>	
<p>Improve the agenda content, attendance and follow-up of the quarterly luncheon meetings.</p>		<p>1992-94</p>	<p>FPEAK's Annual Gen'l Meeting (4/94) attracted 75 firms, elected rejuvenated board, mandated to organize secretariat & clear legal status.</p>	<p>KEDS energies and resources have focused on FPEAK reorganization, legal status, action program & Secretariat strengthening; 1995 agenda allows for more attention to technical workshops in conjunction with FPEAK quarterly luncheons.</p>

IDENTIFIED NEEDS*	KEDS ACTION	DATE	RESULTS	COMMENTS/FOLLOW-UP
Sponsorship of two horticultural export marketing seminars	KEDS presented "International Trade Show Participation" workshop at FPEAK luncheon.	25 January 1994	Well-attended luncheon workshop held for 45 participants.	
	KEDS co-organized/sponsored the HCDA Workshop on "Kitchen Herbs & Spices;" FPEAK co-organized, and its members attended workshop.	12 August 1994	Numerous company visits by Coiner & workshop team (KEDS, HCDA, FPEAK, MoAg, KARI); over 70 participants in workshop.	
	KEDS co-organized/sponsored the FPEAK Workshop on "Packaging for Fresh Hort Exports;"	7 December 1994	35 exporters and reps of packaging industry participated in workshop.	
	KEDS co-organized/sponsored the FPEAK Workshop on "International Trade Shows;"	31 January 1995	57 exporters and industry reps participated in workshop.	
	KEDS co-organized and co-sponsored the FPEAK Workshop on "Maximum Residue Levels"	Mar 6, 1995	42 exporters and industry reps participated in workshop.	
Review of existing fee structure and budget.	KEDS guided discussions re: assn/ funding via cess payment.	1994	FPEAK pushing for gazetting of cess increase from .01 to .05/kg.	2/95: MoAg instructed HCDA to draft gazette text.
	1996 could possibly shift to subscription dues for service revenue formula.	1995	FPEAK gains revenues from HORTEC '95 Workshops.	
Longer Term Outlook				
It is intended that through the series of recommended interventions, membership support and board leadership will be strengthened, and necessary institutional capabilities sufficiently established to make long-term objectives both well-defined and achievable. FPEAK has begun in the second half of KEDS to take on a greater role in the compilation and dissemination of export market information, export market training, export market strategy analysis, and innovative horticultural policy advice to the government. Eventually, a division of responsibilities between FPEAK and HCDA which shifted marketing responsibility to FPEAK would almost certainly enhance Kenya's export performance and maximize resource and program impact.				

*Needs defined by the KEDS September 1992 Needs Assessment Study and subsequent needs analyses.

APPENDIX VI

EDF RECONCILIATION REPORT

EDF RECONCILIATION REPORT

Grants Approved as of 2/5/95 **\$437,489.00**

Less Adjustments **(\$7,000.00)**

EDF's in Process (Estimate)

Kanash Ltd. **\$8,000.00**

Eldoret Steel Mills **\$5,000.00**

Root Distributors **\$3,000.00**

Kibee Garden **\$3,000.00**

Mohazo Eximpo Ltd. **\$2,700.00**

Santowels Ltd. **\$1,000.00**

Metal Tec **\$10,000.00**

Swan Industries **\$2,000.00**

Mbugua Enterprises **\$3,000.00**

Sanpac Ltd. **\$1,200.00**

E. Fishing Flies Co. **\$5,000.00**

Steel Wool Africa **\$4,500.00**

Bird of Paradise **\$3,000.00**

Mara Enterprises **\$7,000.00**

Subtotal **\$58,400.00**

Grand Total **\$488,889.00**

EXPORT DEVELOPMENT FUND

DISBURSEMENTS REPORT AS AT APRIL 30, 1995 – AMOUNTS IN US\$S

NO	COMPANY NAME	APPROVED	REFUNDED	DATE PAID	REMARKS
001	Gekins Exporters & Importers	4,501.25	4,501.25	08/24/94	COMPLETE
002	North Eastern Impexo Agencies	1,876.26	1,876.26	08/26/94	COMPLETE
003	Makindu Growers and Packers Ltd	1,355.00	1,355.00	10/26/94	COMPLETE
004	Atlantis Ceramics Ltd	1,506.00	1,506.00	09/22/94	COMPLETE
005	Kibwezi Growers & Exporters	2,250.40	2,250.40	11/29/94	COMPLETE
006	Sunripe (1976) Limited	7,144.00			
007	Dawa Pharmaceuticals Ltd	28,431.27	28,431.27	02/17/95	COMPLETE
008	Gekins Exporters & Importers	11,983.52	11,983.52	11/25/94	COMPLETE
009	Sunfresh Farm Produce	1,659.00			
010	Ng'uuru Gakirwe Water Project	837.86	837.86	10/12/94	COMPLETE
011	Turasha Windsong Farm Ltd	3,000.00			
012	Diversey E & C Africa Ltd	6,450.00			
013	Gillflo Limited	12,801.00			
014	Kenbro Industries Ltd	6,626.00			
015	Tru Fruits (K) Ltd	0.00			CANCELLED
016	Jacaranda Designs Ltd	25,000.00			
017	Fresh Produce Limited	12,000.00	6,755.22	11/25/94	
018	Woni Veg-Fru Limited	5,373.00			
019	Turasha Windsong Farm	12,000.00	5,889.65	02/13/95	
020	Echuka Investments Limited	4,455.00	3,908.25	12/22/94	
021	Mango Limited	3,017.49	3,017.49	11/30/94	COMPLETE
022	Sarnaki Industries Limited	18,661.00			
023	African Diatomite Industries	19,585.00	2,292.65	12/30/95	
024	Fairview flora Limited	1,537.00			

025	Agricultural Intergrated Industries	8,418.00	1,507.12	11/24/95	
026	Sukhinwa Enterprises	14,377.00			
027	Sunny Auto Parts	5,716.47	5,716.47	03/20/95	COMPLETE
028	Varsani Brakelinings	4,029.00			
029	Vegpro (K) Limited	8,022.00			
030	Doshi Enterprises Limited	10,800.00	855.82	12/30/94	
031	Industrial Plant (EA) Ltd	25,000.00			
032	Kisengela Farm Limited	25,000.00	21,375.00	01/11/95	
033	Tower Metal Products Limited	15,427.00	12,144.76	03/20/95	
034	Ng'uuru Gakinwe Water Project	2,531.70	2,531.70	02/08/95	COMPLETE
035	Sanpac Limited	2,247.55	2,247.55	03/20/95	COMPLETE
036	Cabroworks Limited	2,574.66	2,574.66	02/17/95	COMPLETE
037	Surya Kiran & Co	1,591.40	1,591.40	02/08/95	COMPLETE
038	Viro Locks Ltd	2,042.09	2,042.09	03/20/95	COMPLETE
039	Ombi Rubber Industries	10,000.00	10,283.52	02/27/95	
040	Sunny Auto Parts (K) Ltd	2,977.00			
041	Highview Farm Limited	19,994.00			
042	Viewfinders Ltd	13,394.00	799.75	03/20/95	
043	Super Manufacturers Limited	2,900.00			
044	Swan Industries Limited	270.00			
045	Wet Farm Limited	11,333.00			
046	Sete Kenya Limited	1,690.00			
047	Uzuri Manufacturers	19,192.00			
048	Sawa Flora Limited	1,609.00			
049	Sunny Daze				
050	Multiphasic Export Company	7,334.00			
051	Mortice & Tenon Ltd	4,962.00			
052	Echuka Farm	7,093.00			
053	Novelty Designs & Handicrafts	7,807.00			
TOTALS		430,381.92	138,274.66		

APPENDIX VII

**MANUAL FOR HORTICULTURAL EXPORT QUALITY ASSURANCE
(Part I & II)**

MANUAL FOR HORTICULTURAL EXPORT QUALITY ASSURANCE

Part 1



Pesticide residue analysis

3. While it is unlikely that any pesticide residue will exceed the Maximum Residue Level (MRL) if the pesticides used have been applied correctly and according to Good Agricultural Practice (GAP) or that any other illegal residues will be present, it is advisable and some customers may require, that routine, random pesticide residue analysis be carried out.

4. The procedures and frequency of such tests vary with the risks and degree of control which packer/exporters have over growers and subsequent operations. A suggested list of priorities for residue testing would cover the following areas but each packer/exporter must draw up their own programme and in some instances obtain the approval of the customer for its adequacy. In most cases it is sufficient to carry out the sampling after the last application of pesticide to the crop or product but before marketing commences.

Risk	Action
(a) Crops which receive treatment with a high number of individual pesticides.	Check field application records. Select samples from those crops with most treatments.
(b) Crops which receive the highest frequency of pesticide applications.	ditto
(c) Crops which have been treated with pesticides having a long persistence e.g. harvest interval greater than 21 days.	ditto
(d) Product which has received a post-harvest treatment or has been treated just prior to harvest to improve post-harvest keeping of product.	Check records and methods of application. Sample at least once per production season from each treated product held in store.
(e) Crops treated with pesticides which have been the subject of enquiry or special interest in any of the countries for whom the product is destined.	Check with respective customers or authorities of receiving countries or their agents. Minimize or ban use of these pesticides if required and sample at least once during production season.
(f) Where residues of a particular pesticide/crop combination near to or above the MRL have been reported by an importing country, particularly where these samples can be traced back to source.	Check field application records for the crop where the pesticide of concern has been used. Select samples from those crops with most treatments. Sample at least twice each season, or three times where the source of a potential problem has been identified.

(g) Where produce is collected from co-operatives or from new suppliers, or from a number of small suppliers.

Check field application records. Select samples from those crops with most treatments and sample at least twice each season from each bulked product.

5. Residue analysis is not sufficient in itself as a method of pesticide control. It is a useful monitoring tool to assess the effectiveness of control systems and procedures. An action plan needs to be drawn up in the event of any unsatisfactory residue analysis. This should include:

- an investigation into the possible cause of the unsatisfactory result
- a resampling or repeat of the residue analysis with, if possible, an additional independent analysis
- a withdrawal from sale or distribution of product from which the sample was taken and its isolation from any other product until the product has been declared safe
- informing the appropriate authorities and customers of the incident immediately it comes to light if the product is already in the marketing chain.

6. A fuller set of guidelines is laid down in the UK in the *Code of Practice - Pesticide Control for Produce Marketing Organizations* published by the Produce Packaging and Marketing Association (now the Fresh Produce Consortium). See Part 2, Section 3, Pesticides.

Control of harvesting and field packing operations

7. The practice of grading and packing in the field, especially of highly perishable products such as strawberries, not only reduces damage due to handling, but can shorten the time taken for the product to enter the cool chain and so extend its shelf-life. It is also more economic in that it cuts out subsequent handling operations in a packhouse.

8. However, any harvesting operation, even if it does not involve field packing, must be controlled, especially if it involves hand harvesting of product which receives no further treatment, such as washing, and the product is likely to be consumed in the raw state, e.g. strawberries, raspberries, salads, grapes, etc.

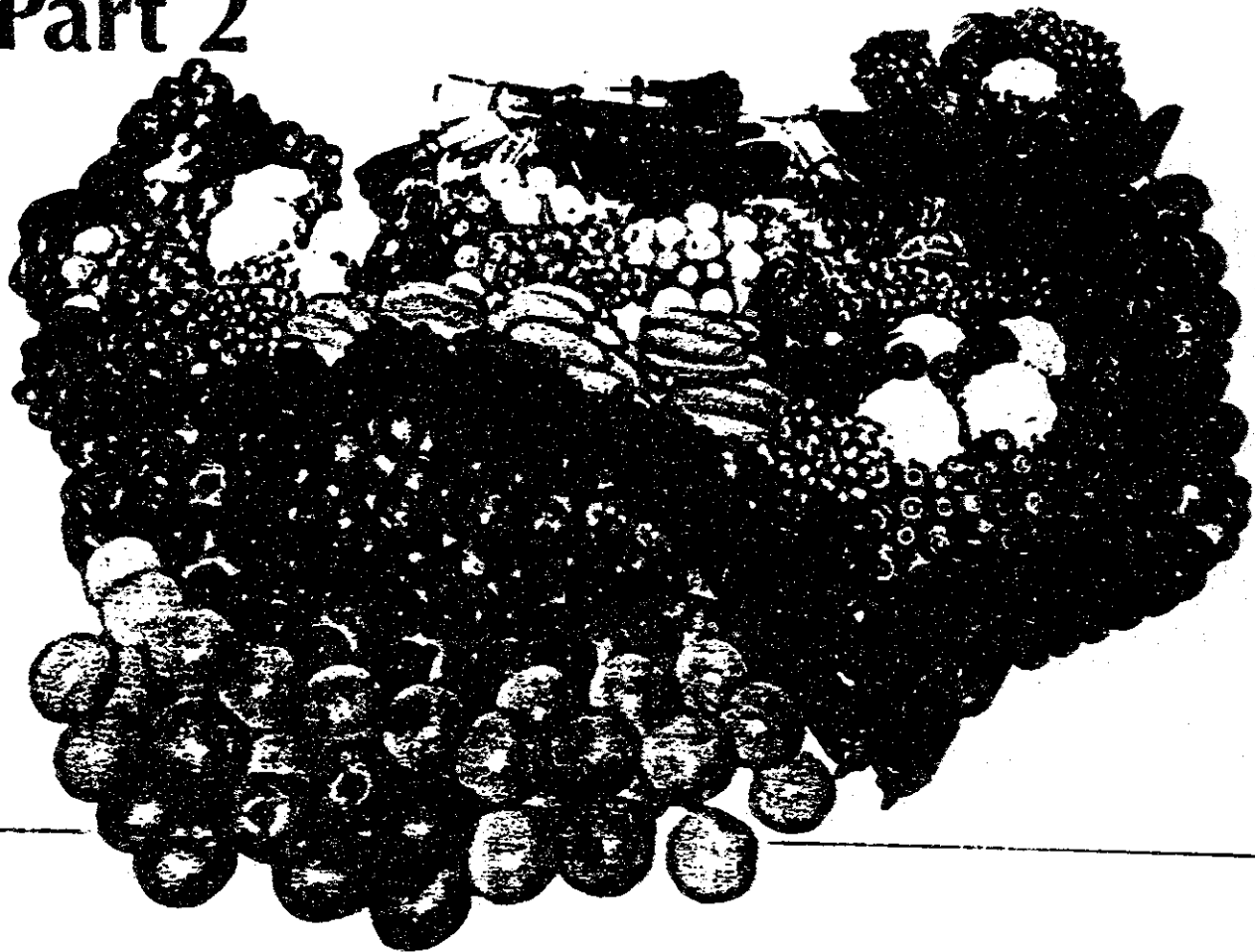
Personnel

9. Various requirements for workers involved in packhouses are listed under Section 3 and this should form the basis of the controls required for harvesting and field grading operations, especially for high risk products such as soft fruit and salads. Field workers involved in handling such products should be checked for health status and abilities, especially if grading or selection is carried out. They should be adequately trained and supervised to carry out the required operations.

10. Field toilets with hand washing facilities must be provided where high risk products are being handled and all workers involved in handling such products must be made aware of the need for a high standard of personal hygiene. Smoking, eating or chewing tobacco or gum should not be allowed in the vicinity of any harvesting or grading operation.

MANUAL FOR
HORTICULTURAL
EXPORT QUALITY
ASSURANCE

Part 2



Advice to growers on the use, storage and application of pesticides

1. Exporters should be confident that the growers from whom they buy their produce are competent in the way that they manage and use their pesticides. The following briefly highlights the key areas.
2. The growers or their contracted staff who are applying pesticide must have received appropriate training and be fully conversant with the principles and practice of preparation of solutions for dip or spray treatments and in the calibration of the spray equipment. They must have full regard to the environment and must not dispose of waste solutions or used, empty pesticide concentrate containers in such a way that they can contaminate waterways, crop growing areas or be a hazard to human beings or to wildlife.
3. Particular care should be taken in the interpretation of the dosage rates given on the label of the pesticide container and in any cases of doubt, the local representative of the supplier or manufacturer should be contacted for guidance. Most label specifications give a spray volume (and spray dilution rate) for a given treatment area. Where pesticide is applied with a knapsack sprayer to rows of the growing crop, and not to the soil between the rows, the area that can be covered (number of rows) may be greater than that calculated from the field area. Similarly, at different stages of crop growth, different quantities will need to be applied per plant to ensure effective coverage. If the operator is poorly trained he will not recognize these factors and the crop runs the risk of overtreatment.
4. Stores used by growers for the retention of pesticides must be kept locked with access restricted to authorized persons only. Stock should be used on a 'first in - first out basis' to ensure that products are not left in store such that they will deteriorate and that their performance will be adversely affected. All pesticides must be stored in their original containers; all labels giving treatment solution concentrations and treatment rates must be clear and undamaged. Stock record cards should be maintained such that records of pesticide receipt and use are available on inspection. All pesticides known to be banned or severely restricted in the importing country should be removed from the store to prevent the risk of accidental use or product contamination.
5. Pesticide stores must be situated well away from the areas used for the collection and sorting of harvested produce. These areas must be kept clean and free of any pesticide contamination (from spillages, the preparation of treatment solutions, etc.); effort put into the application of good field practices can be wasted if basic rules are ignored resulting in produce contamination due to negligence.
6. Record sheets detailing each pesticide application to a particular crop/plot must be maintained and be available for inspection. The sheets must provide a complete treatment history for the crop from its first treatment to the last before harvest, together with a record of the pre-harvest interval following the last application. Application data should include the product name, the identity of the active ingredient, the application rate and volume. An example of a form that can be used for this purpose has been produced by the Produce Packaging and Marketing Association (now part of the Fresh Produce Consortium) and is shown below.
7. Post-harvest treatments, where applicable, should be similarly recorded using a modified form such as that shown below.

8. Exporters should ensure that such application records are maintained by all of their contracted growers and that they are regularly checked by a competent person. A record should be kept of the checking process confirming that the correct product has been applied and that the treatment rates and pre-harvest intervals are correct. Again, a simple form can be produced for the purpose which simplifies the process of back-checking should the importer wish to check on the quality of the export operation or if a pesticide-related problem is suspected.

Example of a field pesticide application record form

Field Pesticide Application Record											
Grower Name _____										Sheet Number _____	
Farm Location _____											
Date applied	Field name or number	Crop type drilling/ planting details	Pesticide applied		Off-label certificate no. where appropriate	Application details		Harvest interval	Hours Worked	Harvest Date	Operator
			Product name	Active ingredient		Rate	Water Volume				

Checked/Agreed _____ Date _____

Produce Packaging and Marketing Association Limited, now part of the Fresh Produce Consortium

Sampling for pesticide residue analysis

9. The actions to be taken in pursuit of 'due diligence' were outlined in Part 1 of the *Manual* including the taking of samples for pesticide residue analysis. Guidance was also given on ways of prioritizing the sampling for this purpose based on:

- the nature of the crop
- the crop treatment history
- where concern may have been expressed by importing countries regarding high residue levels for certain pesticides
- where produce is collected from co-operatives or a number of small suppliers.

10. Residue analysis is not easy and demands the use of sophisticated equipment operated by well-trained staff. The procedures used can be time-consuming and often require substantial quantities of expensive, laboratory reagents. As a result, it can be an expensive form of analysis. It is thus important to ensure that the samples provided for analysis are meaningful; if they are compromised in any way then the results of the analysis will be invalid, money will have been wasted and the exporter will still not know whether residues in his produce are within acceptable levels.

11. When sampling produce for analysis it is important to ensure that:

(a) The sample(s) taken is representative of the larger bulk of produce; a uniform application of pesticide is difficult to achieve and a range of residues may result – it is important that the sampling can cater for this variability.

(b) The samples are not contaminated in any way during sampling or transportation to the analytical laboratory.

Ensure that whoever is taking the sample has clean hands and has not been handling pesticide before being asked to take the samples.

Ensure that the container into which the samples are transferred is clean, has not been previously used for the storage of pesticide or been kept anywhere near pesticides. Similarly ensure that any packaging materials used to protect the samples are clean and free from any pesticide contamination.

Ensure that the samples, once collected are not exposed to pesticides in any way. The samples should be delivered to the analytical laboratory without delay and should be kept cold during transportation; a cool box, specially reserved for sample storage/transportation is ideal.

(c) Clear and effective labelling is essential for product traceability and in cases where litigation may result. It must thus be clear and unambiguous.

Labelling can take the form of sequentially numbered samples, with an attached sample list giving all relevant sample details, e.g. date of sampling, product, product variety, origin, treatment history where known, etc. Alternatively, each sample can be labelled with all of the detail given above and the analytical laboratory will then give the sample its own, unique reference number. Where samples are double or multiple wrapped, it is important that the sample label appears on each layer of wrapping. A full check-list of all samples submitted should be provided to the analytical laboratory.

(d) If there is no local laboratory capable of undertaking the analysis, the samples may have to be shipped long distances with a minimum of delay to enable a rapid analytical turn-around and with minimum deterioration of the samples.

In such circumstances, the contracted laboratory should be asked for detailed instructions on storage and transport conditions; generally reduced temperature shipment will be needed although perishable samples should not be frozen.

Clear notification of delivery dates and times should be provided to the laboratory. If international air flights are involved, all relevant flight details, including airway bill number, must be telephoned/faxed to the recipient and their freight handling agents who will arrange customs clearance with a minimum of delay.

12. The problems that could be caused by sample contamination between the time of sampling and analysis cannot be over-stated. Such contamination has been encountered many times before and under a wide variety of circumstances. The problem can arise through oversight, ignorance or through poor instructions to those involved. It is important that all involved in produce sampling are aware of the ways in which contamination can arise and the problems, including delays/loss of shipments, that can result from the discovery of 'false' residues. Two examples encountered by the Natural Resources Institute may help to illustrate the problem.

13. The first example involved some fish samples that were sent to the Institute for analysis. Particularly high pesticide levels were found to be present, which caused some alarm. Subsequent investigation, however, showed that the packing materials were contaminated and that pesticide had migrated from the packaging to the samples. Further investigation revealed that the packaging had originated from a pesticide store. The effect, however, was that much time and money had been wasted and that 'unique' samples had been lost and could not be properly analysed.

14. The second example, encountered in an overseas laboratory, involved residues of certain chlorinated pesticides being discovered in every sample analysed, including untreated samples, reagent blanks, etc. Contamination was suspected and detective work showed the source to be a treatment that had been applied to woodwork within the building for the control of termites. Sufficient pesticide was volatilizing from the treated surfaces to contaminate, not only working equipment and glassware, but also working surfaces, door handles, etc., ensuring that the hands of workers were contaminated which helped the contamination to spread to other materials.

15. To cope with the potential variation in residue levels, a number of primary samples must be taken from each produce shipment. Guidance on sampling can be obtained from a number of sources, including national authorities, the contracted analytical laboratory and from reference materials provided by organizations such as the Codex Alimentarius Commission. As a guide, the UK Fresh Produce Consortium recommend:

Bulk produce

Weight of lot (tonnes)	Minimum number of primary samples to be taken
Less than 10	4
10 to less than 50	4 to 8
50 to less than 500	8 to 20
500 to less than 5000	20 to 70

Packaged produce

Number of packages in the lot (orders)	Minimum number of primary samples to be taken
Less than 100	4
100 to less than 500	4 to 8
500 to less than 5000	8 to 20

16. The Fresh Produce Consortium also suggest that the individual primary sample weights should be not less than:

Commodity	Crop examples	Target weight
Light weight products (up to 25 g)	Peas and beans Brussels sprouts Mushrooms Bush fruits Plums and cherries Salad onions Radish	250 g
Medium weight products (between 25 g and 250 g)	Potatoes Carrots Broccoli Tomatoes Lettuce Apples Oranges	500 g
Higher weight products (over 250 g)	Cabbage Swede Marrow Cucumber Aubergine Melon	1 kg

This can be extrapolated to include other produce typically exported from tropical countries. Examples could include:

Light weight products	Cape gooseberries Dates Lychees Chillies
Medium weight products	Avocado (small) Banana Mango (small) Okra Peppers
Higher weight products	Avocado (large) Mango (large) Pineapples Yams

17. The primary samples should be submitted to the analytical laboratory without further mixing or sub-division. Trained laboratory personnel will undertake these tasks as necessary.

Best Available Copy

18. The time taken in obtaining the primary samples, delivering them to the analytical laboratory and in conducting the actual analysis is obviously critical when freight schedules need to be met. The need for careful organization of each step in the process to minimize delay becomes vital. Ensure well in advance that all the necessary materials for sampling are available, that transport is organized and that the analytical laboratory is aware that they will be receiving samples on that particular day.

19. Exporters who are using particular growers for the first time or where particular problems with residues in produce have been observed or reported may wish to analyse samples taken from the field prior to harvest. Although, and depending upon how close to the scheduled time of harvest the samples are taken, some residues above the maximum residue level for that compound/crop may be detected, such samples will give some indication of whether good agricultural practice is being followed or whether unauthorized pesticides are being used by the grower. Field checks also have the additional benefit that if growers are aware that such checks may be conducted, they tend to take more care over their pesticide application practices.

20. Field sampling techniques can be complex and it is suggested that guidance from the analytical laboratory be sought. Essentially the frequency of sampling, i.e. the number of samples per farmer's plot depends upon the size of the plot. Determine initially the size of the plot and divide it into sections depending upon how many primary samples need to be taken (see below). Take a sample from each of the sections and transfer to a clean bag prior to transportation to the laboratory. In data generation trials, samples are generally not collected from within a 2 metre band of the edge of the plot unless the plot is particularly small. This is because spray control near the edges of fields is often more difficult to achieve and residues here may not be typical of the overall sprayed plot. However, the residues could be important for export control purposes and the analysis of samples from field borders may be advisable. Such samples will also allow for the detection of drift from adjacent sprayed plots.

Primary field sampling

Area of plot (ha)	Number of primary samples
Less than 0.5	4
0.5 to less than 2.5	4 to 8
2.5 to less than 25	8 to 20
25 to less than 250	20 to 70

References

1. Codex Alimentarius Commission
Food and Agriculture Organization of the United Nations
Via delle Terme di Caracalla
00100 Rome
Italy

Telephone (39-6) 57971
Telefax: (39-6) 57973152/57974593
Telex: 610181 FAO I

Codex publications can be obtained from the above address with all enquiries marked for the attention of the Distribution and Sales Section.

*Guide to Codex Recommendations Concerning Pesticide Residues:
Part 5: Recommended Method of Sampling for the Determination of Pesticide Residues*

Part 6: Portion of Commodities to which Codex MRL's Apply and which is Analysed.

Codex Classification of Food and Animal Feed

2. Fresh Produce Consortium
(previously the Produce Packaging and Marketing Association Limited)
103 - 107 Market Towers
1 Nine Elms Lane
London SW8 5NQ
United Kingdom.

Note: The FPC was formed from a range of related organizations.

Instructions for residue analysis and the reporting of results

21. It is important to recognize that the analytical laboratory will require instructions with regard to the type of analysis to be undertaken. This will be an important element in defining the cost of the analysis and in ensuring that the analysis reflects the requirements of the exporter.

22. Guidance can be obtained from the analytical laboratory in cases of doubt, or from the company the exporter is supplying. National authorities/marketing organizations will also be able to provide assistance in identifying the appropriate analytical requirement.

23. In general, the more complex the analytical requirement, i.e., the larger the number of compounds to be sought or the lower the level of analytical determination requested for each compound, then the more expensive will be the analysis. Again consulting laboratories can advise on the most appropriate arrangements. However, if the analytical check is for compounds known to have been applied and that are registered for use on that crop, analysis at the given maximum residue level will probably be the most appropriate and will indicate whether residues are excessive or not.

24. Where the history of the sample is unknown or where the treatment history raises questions of doubt, then a more detailed analysis may be required, looking for a wider range of pesticides including those whose presence would be deemed to be illegal, i.e. not permitted for use, in the importing country. This requirement is more complex and necessitates analysis down to a much lower limit of detection. In the cases of illegal pesticides the lower limit required will be at the lower limit of analytical determination, commonly about 0.05 mg/kg.

25. It is also important to be confident that the contract laboratory is competent and reliable; unfortunately, this can often only be gained from experience of the service offered. Companies contracting work to a laboratory need to appraise the advice offered by the laboratory to specific questions such as:

How do I sample ?

In a 'screen' for residues what pesticides should we examine for ?

What level of analytical determination is required ?

What form of report will I receive ?

What validation will be performed, i.e. how will the method be tested to ensure that the results are reliable ?

26. To an individual not used to submitting samples for analysis or in assessing the results of professional analysis, the responses will obviously be difficult to assess. However, any report should include details of any subsampling employed, details of the analytical method used together with a summary of the validation data obtained. Reports that are provided and which only detail the results as "no residues were detected" are not acceptable unless, for purposes of rapid response, this is agreed as a preliminary report with a full report to follow. Even in such cases, a lower limit of analytical detection must be provided.

Control of bats, birds, insects and vermin in packing and preparation areas

27. The danger of contamination from bats, birds, rats and mice, insects or other live agents must always be given careful consideration. For some products, e.g. those which are eaten in the uncooked, unpeeled and often unwashed condition, the danger of disease transmission has been proven and customer repugnance at seeing a soiled or damaged product will do little to encourage sales. The practice in many retailers of using the export packaging as the display container requires equal care with regard to the storage and cleanliness of packaging material throughout the whole operation.

28. The major methods of controlling or reducing the risks of contamination are:

(a) proofing of buildings and premises against entry;

(b) controlling or eradicating the population of likely causes of contamination;

(c) maintaining a clean packhouse with prompt removal of waste both from the packhouse and its surrounds.

Notes on how these methods can be utilized to control or reduce major contamination risks are given below but the advice and services of experienced pest control operators may be needed in some circumstances.

Birds and bats

29. Proofing of buildings using small mesh wire netting over windows, vents or other apertures is advised. Small birds such as sparrows can pass through gaps of 2 cm so the mesh must be less than this if an effective barrier is to be provided. Open doorways often provide easy entry for bats and birds. Plastic strip curtains over doorways are normally effective and allow ease of entry for personnel and fork lift trucks. Neither bats nor birds should be allowed to roost or nest within packhouses and all entry points should be effectively blocked. Care must be taken to prevent entry at eaves level and to prevent roosting nesting on the outside of the building, on ledges, etc.

Insects

30. Fine mesh wire or plastic screens over windows and roof lights are the most effective method of preventing entry and will at the same time prevent the entry of birds. Plastic, nylon or fibreglass mesh have the advantage over wire of being rot and rust proof. The screens should allow the windows to be opened while they are in place. The plastic strip curtains over doorways to deter the entry of birds will reduce, but not prevent, the entry of insects.

31. Control of flying insects within the packing area is carried out by means of ultraviolet insectocutors. These attract many species of flying insect onto an electrified wire grid where they are killed and the bodies can be collected in a tray below. The siting of these appliances can be critical and they should not be placed in brightly lit areas where they are less effective, or directly over production lines, where dead insects may drop onto the product. The collecting trays must be cleared and cleaned at regular intervals. As the ultraviolet tubes lose their efficiency with continued use, these must be replaced within the period specified by the manufacturer.

32. The size of unit installed, plus the lighting intensity of the area, will determine the area in which the lamps are effective and again, manufacturers' recommendations need to be followed. Areas of up to 400 m² are quoted for some units. The tubes should also be protected to prevent the breakage of glass and may require to be splashproof where water is used. If the whole area is being washed down after use, then the insectocutor needs to be protected from water, possibly by use of a cover to be used when the machine is switched off.

33. For those flying insects not attracted by ultraviolet light, such as fruit flies, the only recourse to combat infestation is likely to be insecticidal sprays or fumigation. Effective sealing of floors, etc., will reduce the risk of infestation and pesticides should only be applied when necessary and on the advice of a reputable pest control company. Insecticides used should be approved for use in food premises; these are normally synthetic pyrethroids such as permethrin and must be applied according to manufacturers' instructions. The treatment must take place during non-production periods, e.g. overnight or at weekends and records will need to be kept of the nature and quantities of product applied.

34. Crawling insects such as ants, spiders and cockroaches can infest packaging. It is essential to keep packaging stores clean and cartons should be inspected prior to filling with product. This is particularly important where field packing is done and packaging should not be left on the ground or in unprotected areas where contamination might occur. Although bait traps can be used for controlling crawling insects the introduction of electronic traps for cockroaches reduces the risk of contamination from spilled pesticides used in the bait traps. Any bait or electronic trap

should be numbered and an overall plan drawn up of the location of each trap and an inspection/ record regime set up. If cockroaches are a problem, it is advisable to carry out an inspection at night, as cockroaches are nocturnal, with maximum activity 2-5 hours after darkness. Possible sources of infestation, such as adjoining premises, should be identified.

Rats and mice

35. Proofing of buildings is the first essential and this is particularly important around doorways, windows, hatches, drains and electrical and water conduits. Doors and windows should be tightly sealed when closed and it should be kept in mind that mice can enter through gaps of 1 cm, about the diameter of a ballpoint pen, and less for young mice. Various methods of blocking apertures can be used. A cement and wire netting mix to block holes will prevent rodents from entering while the cement sets and will strengthen the plug. Metal plates along the bottom of wooden doors are usually effective but where the floor is uneven a coarse bristle strip or a strip of tough rubber can be attached to the bottom of the door. Sliding doors need to be proofed at the sides, using bristle or rubber strip, up to a height of at least 1 metre.

36. Baiting and trapping procedures for rodents must be carried out, even in a well-built building. Baiting usually consists of a rodent poison mixed into an attractant foodstuff. Where possible, employ a professional pest control service which can advise on the most appropriate bait to use; national legislation may affect the nature and range of products available for use.

37. On no account should this bait be scattered over the floor. It must be enclosed in a container which allows entry of the rodent but not that of other livestock or humans, especially if placed outside. Small sealed plastic pouches containing the bait can be placed in 6 inch lengths of 2 inch diameter pipes placed along likely runs or near entry points. The baiting traps should be numbered and an overall plan drawn up of the location of each trap, as for insect traps. Inspection for rodent activity should be carried out at regular intervals, daily or weekly where there is a high level of activity, but normally monthly where there is little activity. Baits must be replaced if consumed and a record of dates of inspection and uptake and replacement of bait kept. The development of solid baits of lard or similar attractant reduces the danger of spillage associated with loose grain baits.

38. Trapping of rodents either in cages or in spring-loaded break-back traps can also be effective but requires daily inspection to ensure that any trapped or dead rodent is removed and that the attractant material is kept fresh. Again, these traps should be placed in areas of possible activity and in secure positions not likely to be interfered with during normal working.

39. An electronic rodent trap has been developed which offers a more humane and environmentally friendly approach to rodent control.

Other animal hazards

40. It goes without saying that cats, dogs or other domestic animals are not allowed in packhouses. Less obvious but sometimes present in products are small snakes, lizards and a varied assortment of spiders. The presence of venomous spiders such as the black widow spider in grapes caused a major scare in the UK in the late 1980s and affected sales of the commodity from the offending area for several years after the event.

Hygiene and other disciplines in the control of vermin, birds and insects

41. It is essential that premises are kept clean and tidy in order to deprive vermin, birds and insects of shelter and food. Waste material must not be allowed to accumulate within or near a packhouse. Not only will it provide food for pests but it can also provide a breeding ground for insects such as fruit flies. Food should not be consumed within packhouse areas as again the debris can provide cockroaches and mice with a source of food. Separate areas for food consumption must be provided and these must be kept clean. Offices in the packhouse can be overlooked in the application of a hygiene regime; these must also be kept clean and free from food and other debris. Vermin also require a regular supply of water so dripping taps or leaks must be repaired and other sources of water, e.g. old tins or plastic cartons with water in the bottom of them, must be removed.

42. Waste material and rubbish such as old packaging or redundant equipment should not be held near or within a packing area. Packaging should always be held off the floor on pallets and a clear area of at least 0.5 metres around walls should be maintained to allow for inspection for infestation and to reduce the area for shelter.

43. Hygiene must also be observed outside the packhouse and, dependent on the circumstances, the site around the packhouse must be kept clean and tidy at all times. Weed growth, old equipment, especially if stacked against walls, and waste dumps near the packhouse are all sources of infestation and provide shelter. Organic waste should be cleared from the site regularly and it is preferable if such waste can be held in lidded containers. Packhouses should also be located away from stables or sheds where cattle, other farm animals or poultry are kept.

Recommendations

44. The control of birds, insects and vermin has become an industry in itself and the advice and assistance of personnel qualified in the technical aspects of this area is advised, especially when problems arise. It is advisable to prepare standard forms to list pesticide usage or other treatments, with dates, and the sites of traps and results of routine monitoring. In the UK, packhouse operators often employ pest control companies to set up a control regime, install traps/monitoring points and carry out much or all of the routine monitoring/bait replacement and any extra treatments. The consequences of contamination of food products, and this includes fruit and vegetables, can lead to serious commercial losses if attention is not paid to these details.

Useful addresses

1. National Britannia Ltd
Caerphilly Business Park
Van Road, Caerphilly
Mid-Glamorgan CF8 3ED
United Kingdom

Telephone: 0222-852000
Fax: 0222-867738

2. Rentokil Group plc
Felcourt
East Grinstead
West Sussex RH19 2JY
United Kingdom

Telephone: 0342-833022
Fax: 0342-326229

Pesticide legislation and national legislative authorities

45. Pesticide legislation and particularly the maximum residue levels (MRLs) for permitted pesticides on foodstuffs undergo a process of almost continuous review.

46. These reviews can either withdraw the use of certain products or amend their approved patterns of use, amend the MRL value or add new MRLs for pesticides that are being added to the approvals list. In a document of this nature, it is not practical to include lists of approved pesticides/MRLs as such a list can quickly become out of date and can be misleading. It is important, however, to recognize the importance of obtaining the relevant data for the particular export crops with which you are involved as an exporter, and ensuring that the data is kept up to date. As a guide, the EC, UK and CODEX MRLs for green beans (as of 1 May 1994) are given in Annex 1 to this section as an example of how MRL data can be tabulated for specific produce. These tables are examples only. Further EC Directives are in preparation and the MRLs given can quickly become out of date. They should be viewed as examples only and not as a reference list.

47. Information on the requirements of individual countries' national pesticide legislation can often be obtained from the Commercial Section of the Embassy or High Commission of the importing country or from the following central sources*.

European Community

Commission of the European Communities
Directorate-General for Agriculture
Rue de la Loi, 200
1049 Brussels
Belgium

Belgium

Ministère de la Santé Publique
1010 Bruxelles
Le Cité Administrative de l'Etat-Vesale
Belgium

Denmark

Ministry of Health
Danish Food Institute
19, Morkhoj Bygade
DK-2860 Suborg
Denmark

France

Ministère de l'Economie, des Finances et du
Budget
Laboratoire Inter-regional de la
D.G.C.C.R.F.
25 Avenue de la République
91305 Massy
France

Germany

Bundesministerium für Ernährung
Landwirtschaft und Forsten
Postfach 14 02 70
D-5300 Bonn 1
Germany

Ireland

Department of Agriculture and Food
Pesticide Control Service
Abbotstown
Dublin 15
Ireland

Italy

Ministero della Sanità
Dgian
Piazza Marconi 25
Rome
Italy

Netherlands

The Ministers of State and Wellbeing
Health and Culture of Agriculture and
Fisheries
The Hague
Netherlands

Spain

Ministerio de Agricultura
Pesca y Alimentación
Juan Bravo 3B
28006 Madrid
Spain

Sweden

National Food Administration
P.O. Box 622
S-751 26 Uppsala
Sweden

United Kingdom

Pesticides Safety Directorate
Ministry of Agriculture,
Fisheries and Foods
Rothamsted
Harpenden
Hertfordshire AL5 2SS
United Kingdom

Codex Alimentarius Commission

Food and Agriculture Organization of the
United Nations
Via delle Terme di Caracalla
00100 Rome
Italy

Telephone: (39-6) 57971
Telefax: (39-6) 57973152/57974593
Telex: 610181 FAO I

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the above address with all enquiries
marked for the attention of the Distribution
and Sales Section.

* Contact addresses can change. NRI can accept no responsibility if any of the information given above is no longer correct.

EC, UK AND CODEX MAXIMUM RESIDUE LEVELS (MRLs) FOR GREEN BEANS

Codex MRLs

	MRL	Codex step
Azinphos methyl	0.5	CXL
Azocyclotin	0.2	CXL
Bentazone	0.2	6
Bitertanol	0.5	CXL
Bromopropylate	3	3
Carbaryl	5	CXL
Carbendazim	2	CXL
Chlorothalonil	5	CXL
Chlorpyrifos	0.2	CXL
Chlorpyrifos methyl	0.1	CXL
Cycloxydim	1	3
Cyhexatin	0.2	CXL
Cypermethrin	0.5	CXL
Diazinon	0.2	3
Dichlofluanid	2	CXL
Dichlorvos†	0.5	CXL
Dicloran	2	CXL
Dicofol	2	3(a)
Dimethoate	2†	7C
Diquat	0.05*	CXL
Disulfoton	0.2	6(a)
Dithiocarbamates	0.5	CXL
Endosulfan	0.5	CXL
Ethiofencarb	2	CXL
Ethion	2	CXL
Etrinfos	0.2	CXL
Fenthion	0.1	CXL
Fenvalerate	1	CXL
Hexythiazox	0.5	6
Malathion	2	CXL
Methidathion	0.1W	CXL W
Methomyl	2	CXL
Mevinphos	0.1	CXL
Monocrotophos	0.2	CXL
Omethoate	0.2	CXL‡
Oxamyl	0.2	CXL
Oxydemeton methyl	0.2	5
Paraquat	0.05*	CXL
Permethrin	1	CXL
Phorate	0.1	CXL
Phoxim	0.05*	CXL
Primingcarb	1	CXL
Primingphos methyl	0.5	CXL
Proxymidone	1	6
Propargite	20	CXL
Propoxur	1	6(a)
Phosphamidon	0.2	CXL
Quintozene	0.01	CXL
Thiometon	0.5	CXL
Triazophos	0.2	8
Trichlorfon	0.1	CXL
Triforine	1	CXL
Vinclozolin	2	CXL

* Residue at or about the lower limit of determination.

† Proposal may be withdrawn in 1996

‡ Separate CXLs for omethoate to be withdrawn and to be re-introduced at step 3.

W Proposed for withdrawal; withdrawal to be ratified summer 1994.

Extraneous MRLs*

		Step
Aldrin	0.05	3
Dieldrin	0.05	3
Chlordane	0.02*	CXL
Heptachlor	0.05	CXL

*From environmental contamination, not from an agricultural practice

Notes

Codex classification: (a) common beans (pods and/or immature seeds) and (b) beans (except broad bean and soya bean).

MRLs at the step 'CXL' are full MRLs, agreed by the Codex Alimentarius Commission. MRLs given a number under the step heading (i.e. 3, 6, 7c or 8) are not full MRLs but are under discussion with Codex/national governments. The higher the number, the closer the steps are to a full MRL. They are included in the list of MRLs as an indicator of likely future maximum levels for those compounds.

EC and UK MRLs

MRLs	EC MRL†	UK
Acephate	0.02*‡	
Azinphos methyl		0.5
Benomyl, MBC, thiophanate methyl	0.1*‡	
Captan		2
Carbaryl		5
Chlordane		0.02*
Chlorfenvinphos		0.1
Chlorothalonil	0.01*‡	
Chlorpyrifos	0.05*	
Chlorpyrifos methyl	0.05*	
Cypermethrin	0.5	
Deltamethrin	0.2	
Diazinon		0.5
Dichlofluanid		5
Dichlorvos		0.5
Dicofol		5
Dimethoate		2
Dithiocarbamates	0.05*‡	
Endosulfan		2
Ethion		0.1
Fenitrothion		0.5
Fenvalerate	0.05*‡	
Glyphosate	0.1*	
Imazalil	0.02*	
Iprodione	0.02*	
Lindane		1
Malathion		3
Methamidophos	0.01(*)‡	
Mevinphos		0.1
Omethoate		0.2
Permethrin	0.5	
Phosalone		1
Procyridone	2	
Quintozene		0.01
Vinclozolin	2	

† In EC Directive of 29 June 1993, implementation at national level depending upon date of adoption by national governments

‡ Denotes where an MRL at the value given will be set in 1996 if inadequate data is provided by member states on which to establish a firm MRL. Until that time, there is no EC MRL.

§ Limits included in the UK Pesticides (Maximum Residue Levels in Food) Regulations 1988.

* Denotes an MRL at the lower limit of analytical determination.

EC classification: legume vegetables fresh, beans (with pods).

UK classification: legume vegetables, fresh beans.

MRLs for pesticides not permitted for use in the EU

In addition to the previous list, MRLs have been established for pesticides not permitted for agricultural use in the EU. The MRLs are set at the lower limit of analytical determination.

Aminotriazole	0.05*
Atrazine	0.1*
Binapacryl	0.05*
Bromophos ethyl	0.05*
Captafol	0.02*
DDT (sum of isomers and DDE, TDE)	0.05*
Dichlorprop	0.05*
Dinoseb	0.05*
Dioxathion	0.05*
Endrin	0.01*
1,2 Dibromoethane	0.01*
Fenchlorphos	0.01*
Heptachlor	0.01*
Maleic hydrazide	1*
Methyl bromide	0.05*
Paraquat	0.05*
TEPP	0.01*
Camphechlor	0.1*
2,4,5-T	0.05*

APPENDIX VIII

GUIDELINES FOR ASSOCIATION MANAGEMENT

GUIDELINES FOR ASSOCIATION MANAGEMENT

Below are some generic guidelines for the establishment and success of an association in key areas:

1 Why Some Companies Do Not Join Associations

No matter how mature or valuable a trade association may be to the industry, some companies will fail to join for a variety of reasons:

- 1) they feel they can solve problems and succeed without help
- 2) they do not want to draw the attention of their business from the government
- 3) they feel their competitors may discover their trade secrets
- 4) it costs too much
- 5) they do not have time to participate
- 6) they are too big or too small or too different to benefit
- 7) they have not been asked or recruited properly
- 8) let the other guy do it - "they are solving the problem without my help".

2 Subscriptions or dues schedules

- 1) Flat Rate - all companies pay the same
- 2) Percentage of company sales
- 3) Based on the companies production
- 4) Based on units of equipment (trucks etc)
- 5) Number of employees
- 6) Size (eg meters) of store.

There are other methods but these represent the most popular.

3 Sources of income other than dues/subscriptions

- 1) Sale of supplies and equipment
 - 2) Advertising and subscriptions
 - 3) Trade shows and exhibitions
 - 4) Conventions and meetings
 - 5) Grants, contracts and foundations
 - 6) Associations foundations
 - 7) Investments
 - 8) Computer services
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- 9) Building ownership
- 10) Insurance programs
- 11) Collection services
- 12) Credit exchange
- 13) Buyers guide and catalogues
- 14) Statistical reports
- 15) Labour negotiations
- 16) Safety programs
- 17) Apprentice programs
- 18) Certification and accreditation programs
- 19) Employment placement service
- 20) Awards programs and entry fees
- 21) Group legal services.

4 **Association Activities and Services**

- 1) Government relations
- 2) Education and training programs
- 3) Trade shows\meetings
- 4) Statistical programs
- 5) Employer\employee relations
- 6) Public relations
- 7) Publications\newsletters programs
- 8) Insurance programs
- 9) Advertising
- 10) Marketing programs\export.

APPENDIX IX

KEDS SPEICAL STUDIES AND POLICY SEMINARS

SPECIAL STUDIES

#	Study Title or Topic	Status	Date Planned or Completed	Conducted By	Comments (Use, Effects)
1	Kenya Export Policy Baseline Survey	Completed	January 1993	Rob Rauth & Scott Simons	Important and moderately expensive document (2 outsiders, 3 months effort); itself internal; it identified policy constraints and defined the KEDS target policy agenda; this is the fore-runner of the more definitive Policy Matrix.
2	Kenya Export Competitiveness Study Volume 1: Comparative Analysis	Completed	June 1994	Emery, Sager, Mwaniki, Kashangaki	Important and expensive study (2 outsiders, 2 residents, 7 months effort); this volume and 3 subsequent volumes examined Kenya's relative export competitiveness, targeting areas for improvement; distribution was to GOK decision-makers, conclusions/findings were disseminated at numerous large seminars; Executive Summary available.
3	Kenya Export Competitiveness Study Volume 2: Policy Measures to Improve Export Competitiveness	Completed	June 1994	Emery, Sager, Mwaniki, Kashangaki	
4	Kenya Export Competitiveness Study Volume 3: Institutional & Procedural Strategy	Completed	June 1994	Emery, Sager, Mwaniki, Kashangaki	
5	Kenya Export Competitiveness Study Volume 4: Basic Production Factors	Copleted	June 1994	Emery, Sager, Mwaniki, Kashangaki	

#	Study Title or Topic	Status	Date Planned or Completed	Conducted By	Comments (Use, Effects)
6	Horticulture Subsector Analysis	Completed	September 1992	Harris, Muthugu	This was an important document in assisting KEDS to formulate our program approach to the horticulture sector; relatively cheap to do; distribution has been primarily to other program designers and researchers; info now out of date.
7	European Community 1992 Packaging Requirements	Completed	November 1992	Pollard	Cheap to do (1 week on-site by Paris resident); distribution via FPEAK to produce exporters, from KEDS office to exporters.
8	Private Sector Baseline Survey: Phase I	Completed	May 1993	Bess, Guenette Oleche, Potter	Relatively cheap to do (resident experts); document is internal measure from which to evaluate change, program impact.
9	Kenya Horticultural Exports Jan-Jun 1992-3 Comparative Analysis	Completed	March 1994	Guenette	Brief (2-pg analysis of export data); Very cheap, done in-house; widely distributed to exporters as hand-out at seminars and via FPEAK & HCDA newsletters.
10	HCDA Export Crop Manual	Final Draft	March 1995	Greenham et al	Editing and graphics work underway 3/95; relatively cheap (1 imported advisor 2 months); long in production since HCDA Task Force was made driving and creative force to make this "theirs"; hope to see finished product in mid-1995; is a loose-leaf resource catalog destined for widespread dissemination via HCDA field agents.

#	Study Title or Topic	Status	Date Planned or Completed	Conducted By	Comments (Use, Effects)
Horticulture Export Market Studies					
11	Overview Report	Completed	April 1994	Klotzbach, Jones	Moderately expensive (2 international experts did desk-top study, 5 months LOE); These market studies were originally done in 1993 but only "finalized" in 1994 for international distribution when market info was of less strategic value to Kenya. The full set of studies (#11 - #19, here) were made available (in draft) to exporters directly via KEDS and at FPEAK offices and continue to be useful to horticultural exporters for preliminary market targeting.
12	Japan: Selected Kenyan Fresh/Processed Produce and Cut Flowers	Completed	April 1994	Klotzbach	
13	U.S.: Selected Kenyan Fresh and Processed Produce	Completed	April 1994	Klotzbach	
14	Middle East: Selected Kenyan Fresh and Processed Produce	Completed	April 1994	Jones	
15	France: Selected Kenyan Fresh and Processed Produce	Completed	April 1994	Klotzbach, Jones	
16	Germany: Selected Kenyan Fresh and Processed Produce	Completed	April 1994	Jones	
17	Netherlands: Selected Kenyan Fresh and Processed Produce	Completed	April 1994	Jones	
18	U.K.: Selected Kenyan Fresh and Processed Produce	Completed	April 1994	Jones	

#	Study Title or Topic	Status	Date Planned or Completed	Conducted By	Comments (Use, Effects)
19	Hong Kong & Singapore: Selected Kenyan Fresh and Processed Produce	Completed	April 1994	Klotzbach	
20	EPPO: Institutional Needs Analysis	Completed	September 1992	Strain	Inexpensive (done in-house); Baseline needs analysis done on EPPO to assist in KEDS program design; Internal use and distribution.
21	KAM: Institutional Needs Analysis	Completed	September 1992	Starkey	Relatively Inexpensive (1 pm STTA shared 3 ways); Baseline needs analysis done to facilitate KEDS program design; Internal use and distribution.
22	HCDA: Institutional Needs Analysis	Completed	September 1992	Starkey	Relatively Inexpensive (1 pm STTA shared 3 ways); Baseline needs analysis done to facilitate KEDS program design; Internal use and distribution.
23	FPEAK: Institutional Needs Analysis	Completed	September 1992	Starkey	Relatively Inexpensive (1 pm STTA shared 3 ways); Baseline needs analysis done to facilitate KEDS program design; Internal use and distribution.
24	Institutional Strengthening of KAM, HCDA, and FPEAK	Completed	November 1993	K-bach, F-des, Kariuki, Kkonya	Moderate cost (3 pm STTA, mostly local); Mid-stream analysis of progress and program to adjust focus; essentially internal.
25	Non-Traditional Employment Effect Study	Completed	February 1995	Kristjansen, N'geno	Moderate cost (4 pm STTA, local); purpose to produce some national level impact estimates.

#	Study Title or Topic	Status	Date Planned or Completed	Conducted By	Comments (Use, Effects)
26	Review of Selected Business Associations	Completed	March 1995	Shariff	Reasonable Cost (1.5 pm local STTA); fact-finding survey of recommended next-tier candidate associations seeking KEDS support; used by USAID management and evaluators.
27	Kenya's Transport Infrastructure: Export Effects	Ongoing	April 1995 Final Draft	Anyango	Moderate cost (2.5 pm local STTA); Involved KAM and FPEAK in study to identify infrastructural constraints and reform priorities; findings to be disseminated to GOK & industry players at national seminar.

POLICY SEMINARS

#	SEMINAR	DATE	PLACE	PURPOSE	Attendance		
					Total	Male	Female
1	FPEAK Seminar on Duty/VAT Remission	Nov. 25, 1992	Nairobi	To educate horticultural exporters in DVR operational procedures	67	50	17
2	KAM: Kenya Export Policy Teach-In	Feb. 23, 1993	Nairobi	To educate manufactured-goods exporters in all GOK export support programs	173	165	8
3	KAM: Kenya Export Policy Colloquium	March 9, 1993	Nairobi	To introduce dialogue between sectors re: GOK export policies & support programs	181	171	10
4	EPPO: Extension Seminar	June 8, 1993	Kisumu	To promote dialogue between western-Kenya exporters & EPPO re: GOK export policies & support programs	40	35	5
5	KAM: EPPO Extension Seminar	June 24, 1993	Mombasa	To promote dialogue between coast-based exporters & EPPO re: GOK export policies & support programs	32	30	2
6	EPPO/KAM: Infrastructure Reform	Sept. 9-10, 1993	Mombasa	To investigate impacts and solutions to problem of GOK's deteriorating export infrastructure	70	67	3
7	Export Finance - Policies and Modalities	Feb. 2-4, 1994	Nairobi	To bring together GOK policy-makers, and private sector bankers & insurers to identify policy constraints to export finance and insurance	75	69	6
8	Export Finance - Follow Up	Sept. 29, 1994	Nairobi	To assemble industry players in attempt to formulate Export Credit Guarantee Scheme	35	34	1
9	Export Facilitators' Sensitization Workshop	Dec. 1, 1994	Nairobi	To alert infrastructure providers to export needs	65	60	5

#	SEMINAR	DATE	PLACE	PURPOSE	Attendance		
					Total	Male	Female

KEDS ACTIVITIES TO TRAIN EPPO STAFF IN TRADE POLICY ANALYSIS AND ADMINISTRATION

DEVELOPMENT AREA	KEDS ACTIVITY	DATES	RESULTS
Computer Use	KEDS organised the training of EPPO officers in computer use including software programs and in using computers to enhance their productivity and efficiency.	At various times between August 1992 and June 1994.	All officers trained in Wordperfect, Lotus and dBase IV, with specialist training also in desktop publishing and in statistical analysis packages. This preparation is essential both for publicity and policy analysis work on the one hand and, on the other, for the better administration of the DVR facilities using the specially redesigned EPPO database.
Management Information Systems Computer training	The KEDS EPA provided on the job training of EPPO officers to improve their understanding of the uses of the EPPO and other databases in their publicity, policy and administration work	Continuous	Officers more capable of control and analytic decisions based on data evaluation.
Database design	The KEDS EPA supervised the complete redesign of the EPPO database and the expansion of its analytical range and of its coverage of DVR programmes.	First stage completed August 1994	Officers more capable of control and analytic decisions based on data evaluation.
Database utilisation	The KEDS EPA provided continuous supervision of database utilisation and provided detailed input for the compilation of the User's Manual for the redesigned EPPO database.	User's Manual 8/1994. Supervision continues.	First stage User Manual completed and distributed to EPPO officers, resulting in improved accuracy of keyboarding and regular provision of analytical reports.
Administration Awareness of legal issues	The KEDS EPA improved understanding of all EPPO officers as to the legalities and administrative procedures of the 5 separate DVR programs for both approvals and reconciliation or auditing. Also liaised with Customs Dept. on legal issues/procedures.	Continuous	Inculcation of a positive and helpful attitude towards exporters at both junior and senior officer levels.

DEVELOPMENT AREA	KEDS ACTIVITY	DATES	RESULTS
DVR regulatory procedures	The KEDS EPA assisted the EPPO in redesigning existing DVR forms and in the design of additional DVR application and reconciliation forms for submission by exporters, etc.	Designs completed September 1993	Improved design of the existing C56 and C57 forms and design of the new forms C58, C59, C60, C61, C62, C63 and C64 for the expanded coverage of the DVR facility.
<i>Privatisation of the EPPO verification functions</i>	The KEDS EPA assisted the Ministry in the analysis of the modalities for the privatisation of the EPPO verification functions and in the preparation of the detailed Request for Proposals. He also liaised with the tender winning company on implementation modalities.	RFP drafted 5/1994; issued to bidders 7/94 Liaison work continues.	Contract signature expected by end November 1994 with the startup of the improved verification services due in January 1994. Speedier, more accurate verifications will reduce time required to cancel importers' security bonds and further enhance efficiency of the EPPO DVR approval process.
<i>DVR publicity</i>	The KEDS EPA assisted the EPPO in explaining the benefits and regulatory requirements of the DVR facilities to exporters both individually and through colloquia, seminars and workshops.	Continuous	Improved understanding by a large number of exporters etc. of the applicability of the various DVR facilities and other export incentives to their company specific problems. Greater awareness among GoK officials of private sector export concerns.
<i>Trade policy analysis</i>	The KEDS EPA assisted the Dept. of Fiscal & Monetary Affairs and the EPPO with trade policy analysis, including staff training.	Continuous	Provision of technical assistance through meetings and the preparation of memos and position papers on trade policy issues both ad hoc and for consideration during the groundwork for the annual Budget Statement.
<i>US short term training in trade related policy work</i>	Activity here postponed by USAID pending assignment of suitable staff in sufficient numbers to the EPPO.	None	None
<i>Foreign study tours</i>	The KEDS EPA involved the EPPO Administrator and another EPPO officer in study visits to the Rep. of South Africa and Tanzania as part of his work on the Kenya Export Competitiveness Study.	November 1993	Improved appreciation by the EPPO staff of the complexities of fiscal and other export incentives policies plus training in research methodology.

KEDS ACTIVITIES TO ENHANCE THE PUBLIC/PRIVATE SECTOR DIALOGUE

ACTIVITY	PURPOSE	DATE	LOCATION	RESULTS
<i>Seminars/Workshops: KEDS has worked through EPPO to sponsor workshops in Nairobi, Mombasa and Kisumu at which EPPO presented the GOK's tax-based export incentive program, providing examples and forms, and answering questions raised by exporters</i>				
KAM: Kenya Export Policy Teach-In	To present to Kenyan businesses the array of GOK export promotion programs and tax-based incentives in force	Feb. 1993	Nairobi	Many exporters learned of program existence
KAM: Kenya Export Policy Colloquium	To structure a dialogue to identify key policy constraints and to propose solutions amenable to both public and private sectors	March 1993	Nairobi	First time GOK and private sector sat together and discussed program implications with exporters. GOK heard suggestions for program improvements from exporters
EPPO: Infrastructure Reform	For exporting manufacturers on the topic of Kenya's infrastructural support. Papers were presented and responses were given to questions by public sector managers of parastatal organizations representing rail and air transport, communications, electricity, roads, police and customs.	Sept. 1993	Mombasa	
EPPO: Extension Seminar		June 1993	Kisumu	
Export Finance Policies and Modalities	Involved key players in the insurance and banking sectors in addition to the GOK's policy-makers; the workshop provided a forum for a guided examination of policies in effect and generated a list of recommendations for practical reform.	Feb. 1993	Nairobi	
<i>Continuation of KEDS Assistance</i>				
Regular meetings of the KEDS Advisory Committee				

ACTIVITY	PURPOSE	DATE	LOCATION	RESULTS
Weekly meetings of the technical advisory team implementing KEDS	To coordinate KEDS support programs and to minimize situations where the public and private sectors are working at odds.	Continuous-weekly		
<i>Meetings</i>				
Major export policy dialogue meetings have been arranged through KEDS	To bring together exporters and top level officials and Ministers.	Periodic		Several of these meetings have resulted in identifiable changes in export policies and infrastructural facilities.
JETRO: Cut Flower Exports to Japan	To debrief departing Japanese expert on findings, to coordinate follow-on efforts to ship samples, analyze results in collaboration with KEDS, FPEAK, HCDA and to support future plans for further market research.	10 March 1995	JETRO Boardroom	Discussed Japanese market, technical analysis by importers of sample shipment #1 (8,000 stems), agreed on follow-on program of sample shipment #2.
Regular meetings are held by KEDS staff with senior officials in KAM, FPEAK and other export organizations as well as individual exporters.	Stimulate public-private sector meetings to, among other things, advocate for policy reform, and resolve (parastatal-based) export infrastructure constraints.	18 & 21 August 1994	KAM Boardroom, Nairobi & KPA Boardroom, Mombasa	Port congestion problems identified, solutions proposed; Involved Perm Secretaries Finance and Transport, Gov Central Bank, along with heads of KPA, Customs and Kenya Rail agreed to implement solutions to congestion.
<i>Other</i>				
The members of the KEDS technical assistance team sit on several of the sectoral policy panels (Banking, Horticulture, Trade Shows) of the Export Promotion Council	To maintain close collaboration at all times on policy issues with the apex Export Promotion Council.	Continuous		

APPENDIX X

KEDS POLICY MATRIX

KEDS POLICY REFORM AGENDA

Updated: 31 March 1995

Policy or Regulatory Framework - 6/92	KEDS Objective and Estimated Impact	Progress to Date	Implementation Status and Areas for Future Action
Import Tariffs			
<p>Multilayered and cumbersome tariff structure incorporating high rates of protection.</p>	<p>A progressive reduction of tariff rates to the optimum level (which balances reduced import costs with fiscal requirements); a restructuring of the tariff schedule to reduce the number of duty bands to improve Customs administration while reducing opportunities and rewards for smuggling. This will improve resource allocation through lower protection for high cost industries while directly increasing export competitiveness through cheaper imports of raw materials and capital goods.</p>	<p>In June 1992 the top tariff rate was reduced to 70% and the number of tariff bands was reduced from 9 to 7. In July 1993 the top rate was reduced further to 50%, raised temporarily to 62% in September 1993, and reduced to 45% in June 1994. At the same time, the tariff was further restructured into 6 positive tariff bands. Duty has been waived or been substantially reduced for most imports of capital equipment to be used in import substituting or export activity.</p> <p>Further tariff reductions and restructuring is under continuous review in accordance with Budgetary requirements.</p>	<p>Implementation status for this policy component is on target in accordance with the schedule set out in the Policy Framework Paper agreed with the IMF.</p> <p>The KEDS EPA will continue to provide technical assistance to the authorities in achieving the agreed targets</p>
Exchange Controls			
<p>Dual foreign exchange rates</p>	<p>The introduction of one freely floating forex exchange rate to remove distortions in the forex market and to allow greater realism in the setting of export prices.</p>	<p>The Central Bank and interbank exchange rates were merged in October 1993 to form a single rate freely floating on the open market. In future, the Central Bank will preserve a neutral stance in its open market operations and intervene directly only when it is necessary to prevent sudden and destabilising speculation.</p>	<p>This objective has been achieved.</p>

Policy or Regulatory Framework - 6/92	KEDS Objective and Estimated Impact	Progress to Date	Implementation Status and Areas for Future Action
<p>Tight control over forex expenditures. All forex had to be surrendered to the Central Bank within 2 days of receipt. All forex expenditures required prior approval by the Treasury.</p>	<p>The unrestricted utilization of forex earnings by exporters, tourist operators and investors; the removal of distortions in the forex market through the abolition of forex controls will improve resource allocation by permitting forex earners to utilise their forex balances in a more rational manner. In particular, the liberalization of the forex regime is expected to increase the availability of capital equipment and spare parts and to allow a reduction in imported inventory levels. At the same time, the removal of controls on outward investment and dividend and capital repatriation will improve the financial attractiveness of export oriented industry and encourage inward investment.</p>	<p>The forex retention accounts, which were originally introduced at the 100% level in August 1992, were temporarily withdrawn in March 1993 following adverse speculation against the shilling, but were reintroduced at a 50% retention rate in May 1993. The retention rate was restored to 100% in February 1994 and forex retention accounts were abolished altogether in May 1994, along with the obligation to remit unused foreign exchange to the Central bank after 90 days. Over the same period, the restrictions on the utilisation of forex balances and foreign borrowing by Kenya residents have been progressively removed so that by May 1994 only foreign investments by Kenyan residents in excess of \$US 500,000 remain restricted.</p> <p>Foreign exchange bureaux were licenced in January 1995</p>	<p>The objective has been largely achieved. Areas for future action include the removal of the vestigial restrictions on forex utilisation by Kenyans as soon as it is prudent to do so.</p> <p>In a related area, work will continue on the progressive relaxation of the restrictions on inward portfolio investment, which were set at 20% in January 1995.</p>

Policy or Regulatory Framework - 6/92	KEDS Objective and Estimated Impact	Progress to Date	Implementation Status and Areas for Future Action
Import Licensing			
<p>Licenses were required for all imports. The system for allocating licences (and the requisite foreign exchange) was not transparent and was open to abuse. Furthermore, uncertainty as to import availability required exporters to carry large import inventories to ensure uninterrupted production, thus increasing costs.</p>	<p>The abolition of the import licensing regime so as to permit more efficient inventory management for raw materials, components, spare parts and capital equipment. Restricted importation of these items was a major constraint on export capability. The administration of the customs and preshipment inspection services needed to be improved.</p>	<p>Import licenses for all products were abolished in May 1993. However, 3 import schedules were introduced for items which are banned, require prior approvals, or are subject to special clearance on arrival to meet health or environmental standards.</p> <p>Of the 5,700 items listed in the Kenya tariff schedule, importation of 13 tariff items are banned outright under Schedule A (eg, ivory); 32 tariff items still require clearance prior to shipment under Schedule B (eg, weapons) and 64 tariff items require clearance after arrival under Schedule C (eg, meat & fish, seeds, toxins). All other tariff items are importable without restriction.</p> <p>Since May 1994, the preshipment inspection system has been tightened up to ensure that the import liberalisation does not result in duty avoidance. Preshipment inspection is now required for all imports to a value greater than US\$500 (other than for EPZ companies). A compulsory fee of 2% of the fob value is levied for this, with the exception of some imports by MUB companies.</p>	<p>The import liberalisation objective has been achieved.</p> <p>The KEDS EPA will continue with his efforts to improve Customs administration. Improvements have been effected in particular areas outlined below and further targets have been identified.</p> <p>Moreover, the KEDS EPA will continue his efforts to reduce the bureaucratic delays, inspection fees and other importer costs associated with the preshipment inspection system.</p>

Policy or Regulatory Framework - 6/92	KEDS Objective and Estimated Impact	Progress to Date	Implementation Status and Areas For Future Action
Export Incentives			
<p>Export compensation subsidy. This was expensive to administer, characterized by refunding delays and countervailable under GATT.</p>	<p>As export compensation was inefficient in terms of its direct impact on export competitiveness and open to abuse, it represented a major misallocation of available funding for tax based export incentives. Accordingly, the KEDS objective was to replace it with the duty/VAT remission facility in a staged manner to avoid undue disruption of the export effort.</p>	<p>The f.o.b. refund percentage or subsidy was progressively reduced from 20% to 18% in October 1992, to 15% in February 1993 and further to 10% in June 1993 and abolished altogether in September 1993. During this same period, improvements were introduced to the duty/VAT remission facility so that it could provide a realistic alternative incentive for exporters.</p>	<p>This objective has been achieved. The KEDS EPA is assisting with the reorganization of the EPPO so that it can cope more efficiently with increased demand for the duty/VAT remission facility as exporters make the switch from export compensation.</p>

Policy or Regulatory Framework - 6/92	KEDS Objective and Estimated Impact	Progress to Date	Implementation Status and Areas for Future Action
<p>The Duty/VAT Remission (DVR) facility (whereby exporters and other eligible manufacturers or processors obtain their import requirements of raw materials, components and packaging free of duty and VAT at the time of importation) was cumbersome to administer and procedural delays limited its utility to exporters.</p>	<p>To progressively improve the regulations governing the DVR facility both to increase its usage among exporters and to make it an effective instrument for reducing their production costs and cash flow problems. In this way, Kenya's export competitiveness should be increased, especially for non-traditional products.</p>	<p>The proportion of the duties and VAT remitted required to be covered by a security bond was reduced from 100% to 75% in August 1992. In October 1992, the maximum period permitted for reconciliation was extended from 6 to 9 months and the importation allowance was raised from 3 to 6 months export production requirements. A 7-day maximum approval limit was gazetted for the EPPO and a maximum security bond duration of 12 months (not implemented). In May 1993, the facility was extended to cover indirect exporters. In June 1993, the company coverage was extended to include manufacturers of essential goods and manufacturers supplying donor funded projects and the Armed Forces. In September 1993, coverage was extended to include production fuels and in June 1994 to incorporate the domestic supply of greenhouses and aircraft services.</p> <p>Privatization of the DVR and MUB verification functions announced in June 1994. Full implementation is expected early in 1995.</p> <p>The administrative procedures for the DVR facility are being continuously improved. New forms were introduced in September 1993.</p>	<p>The regulations governing the DVR facility have been substantially liberalized and the exporter coverage has been sharply increased.</p> <p>The KEDS EPA will continue to assist with the further reduction in procedural inefficiencies through personnel training, improved documentation requirements, etc. He will also assist with the full implementation of the privatization of the EPPO verification functions (targeted for mid 1995) and will be implemented as staffing permits.</p> <p>Further extension of the coverage of the DVR facility is being advocated.</p>
Export Disincentives			
<p>20% export taxes levied on 8 tariff items.</p>	<p>Whatever the original protectionist intent of these taxes, their continuance represented an anomaly within the overall trade liberalisation policy of the GoK. The KEDS objective was to encourage unrestricted exports of these items.</p>	<p>The export taxes were removed in the June 1994 Budget.</p>	<p>This objective has been achieved.</p>

Policy or Regulatory Framework - 6/92	KEDS Objective and Estimated Impact	Progress to Date	Implementation Status and Areas for Future Action
Trade Finance			
<p>The export financing legislation and regulatory environment inhibited the development of flexible private sector finance and insurance facilities.</p>	<p>To engineer a prudent liberalization of the export finance regime, so as to make a substantial improvement in the availability and cost of short term export finance and insurance. This was to be done by encouraging the institutional development of private sector export finance and insurance facilities.</p> <p>A particular concern was the lack of a national facility for export credit guarantees.</p>	<p>The June 1994 Budget contained several improvements to the fiscal and regulatory environment affecting export financing. The stamp duty on bills of exchange and other short term commercial paper was abolished, thereby encouraging the use of such paper for trade finance and thus reducing its cost. Non-bank financial institutions were permitted to deal in forex and provision is being made for the immediate establishment of forex bureaux. Amendments to the Insurance Act were proposed to allow insurers to include short term commercial paper in investment portfolios, to liberalise other investment requirements including the holding of foreign assets and to permit them to accept and issue insurance in forex. Amendments were also proposed to the Capital Markets Authority Act to increase the number of brokers and to provide for a nationwide system of stockbrokerage services.</p>	<p>As a result of these measures, the private finance and insurance sectors are now much more proactive in providing short term and inexpensive finance and insurance to exporters.</p> <p>KEDS is collaborating with the Export Promotion Council to facilitate the establishment by a consortium of private sector banks and insurance companies of a new Export Credit Guarantee Corporation (ECGC) to provide credit enhancement through the linkage of export finance and insurance. Work is well advanced and it is hoped that the ECGC will commence operations during the second half of 1995.</p>
<p>Restrictions on domestic borrowing by foreign owned firms</p>	<p>The removal of these restrictions as soon as prudent in order to improve the availability of short and medium term financing to foreign owned export oriented companies.</p>	<p>Restrictions on domestic borrowing by foreign owned firms (whether exporting or not) were removed in May 1994.</p>	<p>This objective has been achieved.</p>

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Policy or Regulatory Framework - 6/92	KEDS Objective and Estimated Impact	Progress to Date	Implementation Status and Areas for Future Action
<i>Transportation and Other Infrastructure</i>			
<p>Inefficient and expensive air and sea cargo handling facilities operated under monopoly conditions.</p>	<p>To bring about a substantial improvement in the availability and cost of air and sea cargo handling facilities, particularly for perishable export goods such as horticulture in order to reduce wastage and to materially enhance their competitiveness</p>	<p>Following KEDS assisted pressure through the Monopolies and Prices Commissioner, KAHIL halved its handling charges to US\$ 0.01 per kilo in March 1993 and in April 1993 it introduced a system of negotiated discounts with exporters on a sliding scale to reflect the cost of the services it actually provides. In March 1994, in consultation and agreement with the exporters, horticultural handling services operated by KAHIL were reorganized with increased staff and other resources and handling charges were reduced still further.</p> <p>During the last quarter of 1993, the effective removal of KAHIL's operating monopoly was accomplished through the establishment of private cargo handling facilities, especially for perishables, on land leased near the airport apron.</p> <p>The charges of the KPA were reviewed in October 1993 and new tariff books were published in early 1994 which generally reduced port handling charges in dollar terms.</p>	<p>The depreciation of the US\$ in relation to the Kenya Shilling during 1994 led to an increase of air and sea cargo handling charges. The KEDS EPA will continue to press for a constant review of the impact of these charges.</p> <p>KAHIL and its parent Kenya Airways will be privatized end-1994. Competition should ensure more efficient service at moderate cost.</p> <p>Various cargo movement and documentation functions of the KPA are also scheduled for privatization in early 1995.</p> <p>The KEDS EPA will continue to liaise with exporters and management of these institutions to encourage the provision of adequate cargo handling services at moderate cost.</p>

Policy or Regulatory Framework - 0/92	KEDS Objective and Estimated Impact	Progress to Date	Implementation Status and Area for Future Action
<p>High jet fuel price limited the availability and increased the cost of air cargo space.</p>	<p>To bring about a reduction in jet fuel prices in stages in accordance with fiscal requirements and to attain full international competitiveness through the eventual liberalisation of petroleum prices generally.</p>	<p>The price of jet fuel was reduced from \$US 1.75 per gallon to \$US 1.17 (Oct 92). It was further reduced to \$US 0.95 per gallon (Mar 93) and to \$US 0.90 (Apr 94). Bearing in mind differences in airport facilities, this level was reasonably competitive with neighbouring countries although still well above the world price.</p> <p>In July 1994, while the official price remained unchanged, the actual prices negotiated with airlines took account of the impending liberalisation of petroleum prices and averaged around \$US 0.75 - 0.80 per gallon.</p> <p>Controls on petroleum prices were completely removed in October 1994, allowing the jet fuel price to reflect market forces. The immediate fall in price was limited because of the depreciation of the US\$ against the KSh.</p>	<p>This objective has been achieved.</p>

KEDS Inputs: The KEDS EPA, and in many cases the COP and EDA as well, continuously advocate tariff reform, free exchange controls, responsible and efficient regulation, and the removal of export disincentives. The KEDS EPA provides technical assistance to the authorities through meetings and the preparation of memoranda and position papers. In addition, the EPA interacts directly with individual exporters and private sector institutions on these issues, assisting these private sector players to have better dialogue with the authorities through his contributions to workshops and seminars.

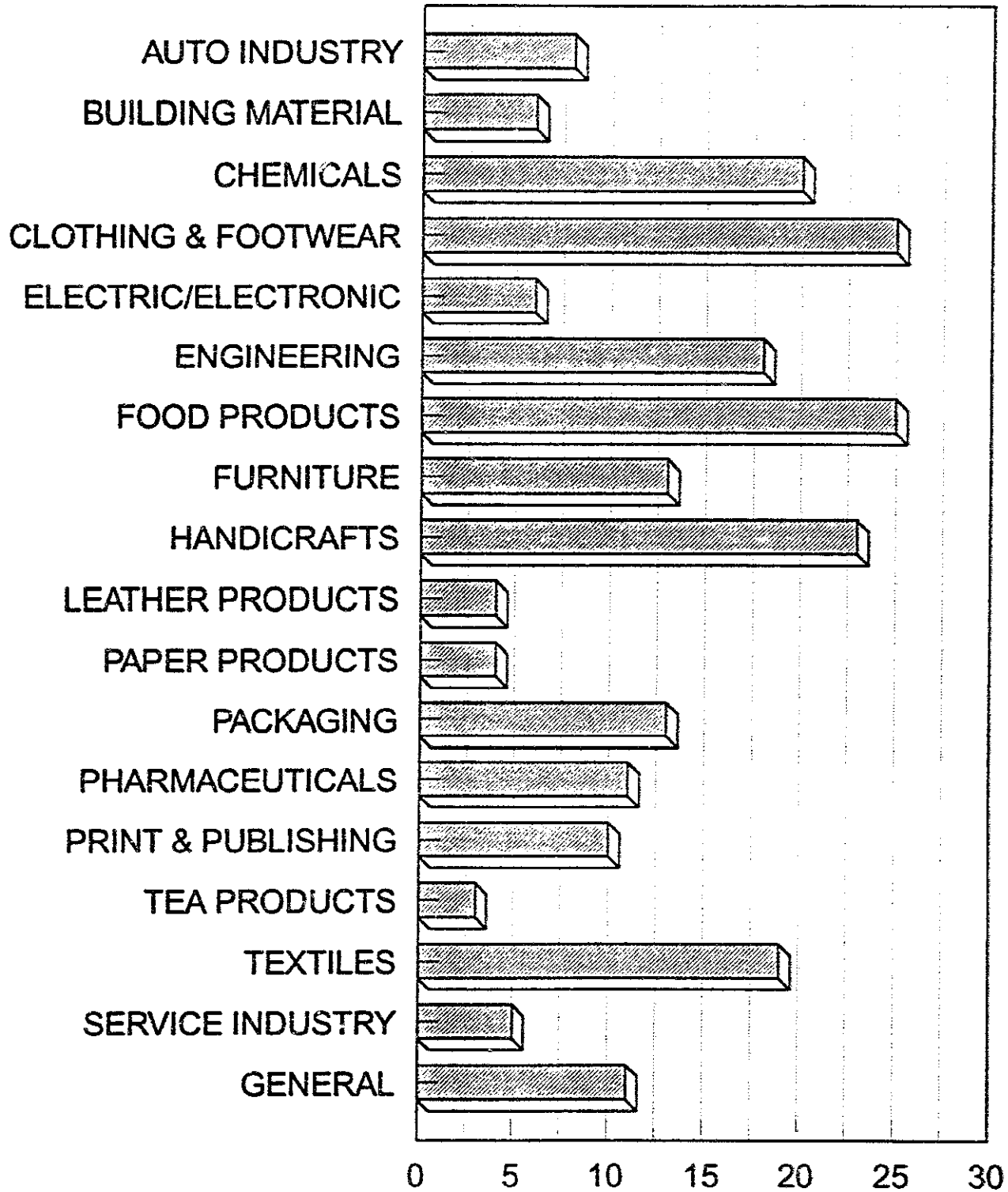
APPENDIX XI

KEAS



KEAS

INDUSTRY EXPORT ACTIVITY

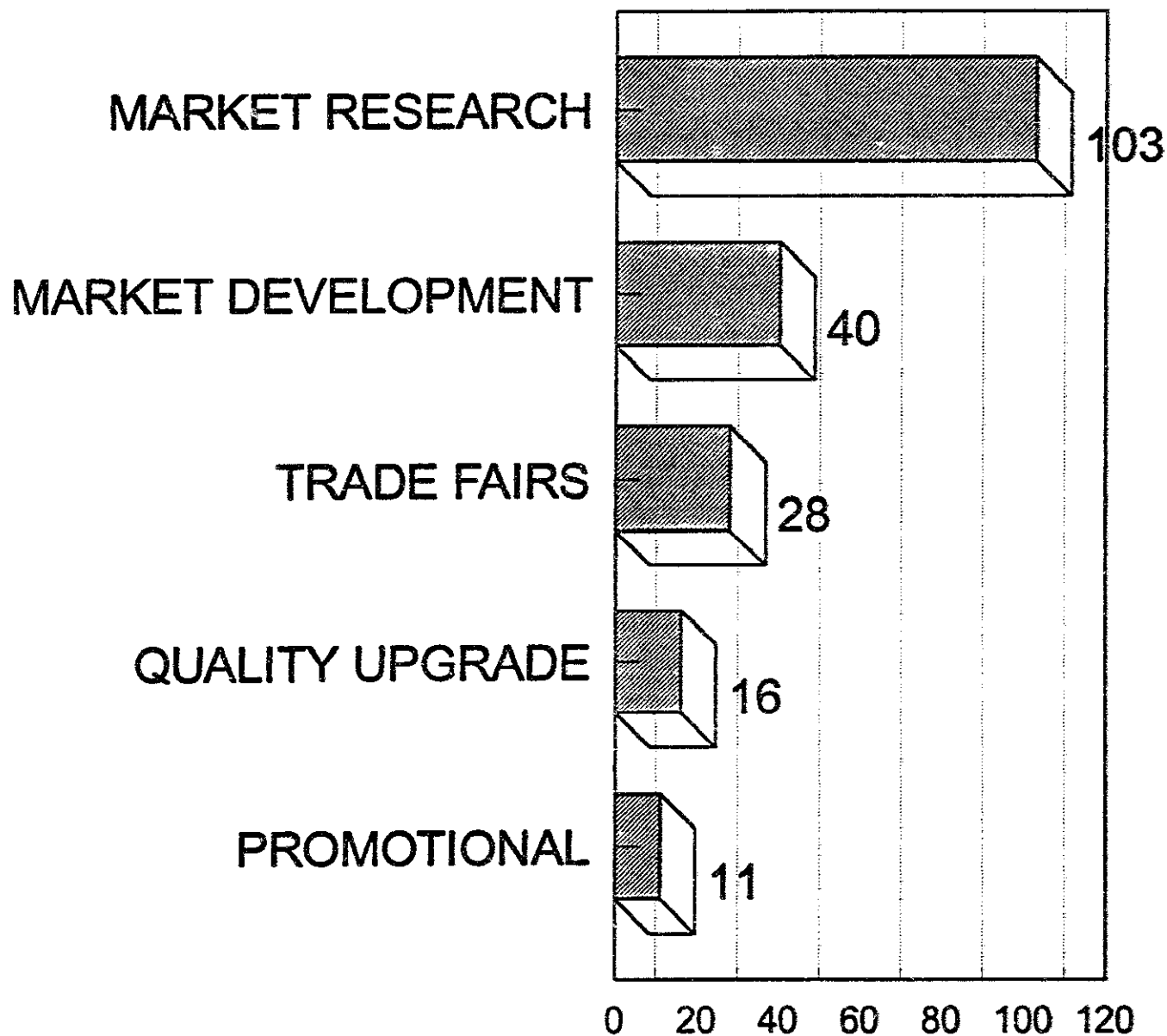


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KEAS PROJECT ANALYSIS

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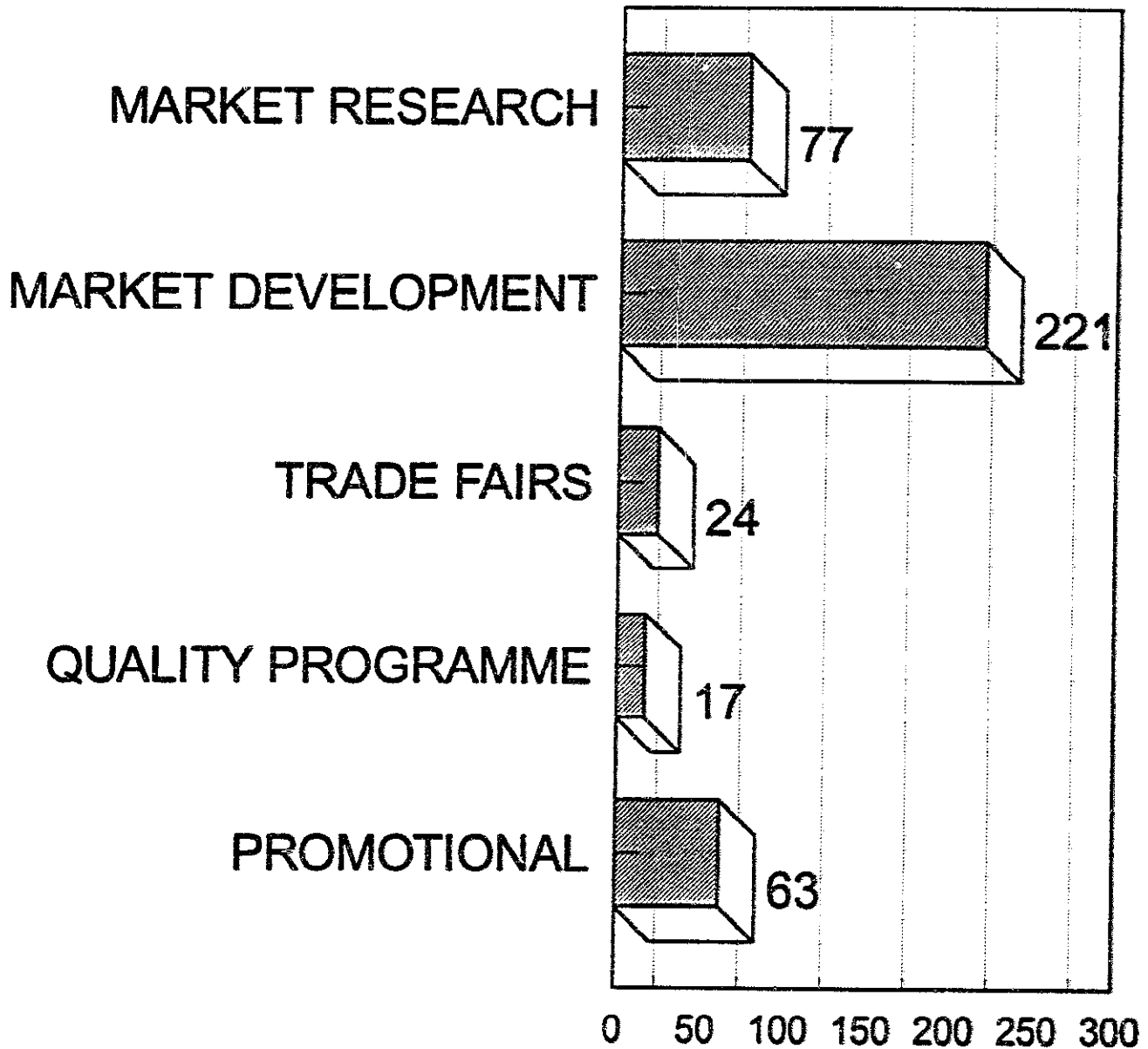


MAY 1992 - JULY 1993



PROJECT ANALYSIS

■ NUMBER OF APPROVALS

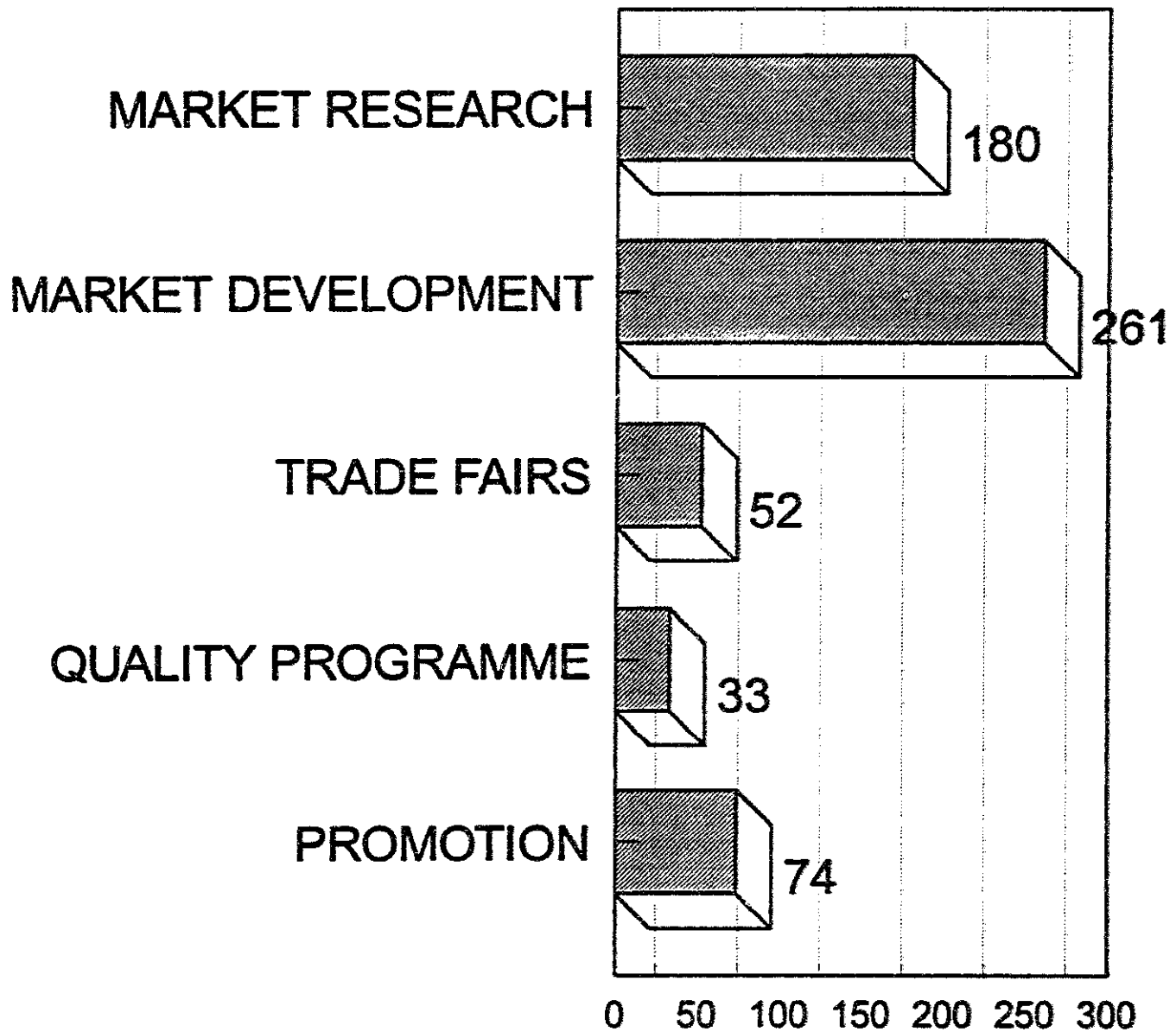


AUGUST 1993 - JULY 1994



KEAS

PROJECT ANALYSIS



■ NUMBER OF APPROVALS

MAY 1992 - JULY 1994

APPENDIX XII

SCOPE OF WORK

BACKGROUND

KEDS is a seven year project whose goal is to increase employment and foreign exchange earnings in Kenya on a sustainable basis. The purpose of the project is to increase non-traditional exports through increased investment in the export sector and development of a more favorable trade environment. The project consists of four major components:

- (1) The Public Sector Component provides support to the Export Promotion Programs Office (EPPO) in the Ministry of Finance and the Export Promotion Council (EPC) in the Ministry of Commerce and Industry to assist the Government of Kenya (GOK) in its efforts to improve the policy environment for exports, to enhance dialogue with the private sector, and to promote non-traditional exports.
- (2) The Firm-level Assistance Component provides assistance to non-traditional exporters directly and through private sector trade/business associations (Kenya Association of Manufacturers (KAM), Fresh Produce Exporters Association of Kenya (FPEAK) and Horticultural Crops Development Authority (HCDA)) to identify viable export markets, to produce internationally competitive products, to promote and sell products in established and new markets, to obtain information on changing markets, and to expand export production.
- (3) The Special Studies Component provides funding for special studies through EPPO and selected private sector associations to determine ways by which export bottlenecks can be eliminated to improve the overall environment for non-traditional exports.
- (4) The Trade Finance Component is intended to provide an export credit guarantee facility for pre-shipment financing for new and small exporters without tangible collateral/security to enable them borrow against confirmed export orders.

The KEDS original PP included the Export Processing Zone (EPZ) Swap Facility component whose objective was to allow domestic medium-scale investors to obtain the hard currency necessary to invest in the Kenyan EPZs. In addition, the PP included assistance to the EPZ Authority and the Central Bank of Kenya (CBK) to streamline the export procedures and to promote non-traditional exports. However, due to GOK's liberalization of the

foreign exchange regime and the U.S. legislation, Section 599 of the Foreign Operations, Export Financing and Related Programs Act, 1993 and 1994, the Mission decided to reprogram all funding previously earmarked for EPZ related activities. The Mission, in consultation with GOK, has therefore, reprogrammed \$5.3 million by including a new Trade Finance component (this component was included in the original KEDS project design but was later dropped in the Project Paper (PP) due to the Mission's OYB cuts) and increasing additional funding for Firm-level Assistance (Export Development Fund) and Special Studies components of the KEDS project. The Trade Finance component is outside the DAI contract and its implementation, through a local commercial bank, is scheduled in FY 95.

In addition, the International Executive Service Corps (IESC), a U.S. PVO, was included in the DAI contract to provide production and quality related assistance under the KEDS Firm-level Assistance component's IESC Fund. However, the Mission's Regional Contracting Office advised against any contractual arrangements between DAI and IESC because IESC enjoys special privileges (which DAI cannot provide under the contract) under a Memorandum of Understanding between AID/W and IESC Head Office. The Mission has therefore, signed a direct Grant with IESC to provide similar assistance to exporters effective January 1, 1995. In this regard, the Trade Finance and IESC Fund components of the KEDS project will not be included in this mid-term evaluation.

ARTICLE I - TITLE

KENYA EXPORT DEVELOPMENT SUPPORT (KEDS) PROJECT MID-TERM EVALUATION

ARTICLE II - OBJECTIVE

I. Activity to be evaluated:

The Kenya Export Development Support (KEDS) Project (615-0249) will be evaluated over a three week period beginning O/A April 24, and ending O/A May 13, 1995. The KEDS Project began on July 19, 1991 and its Project Assistance Completion Date (PACD) is December 31, 1998. The Project is being implemented by Development Alternatives, Incorporated (DAI), a U.S. consulting firm, under a four-year institutional contract No. 623-0249-C-00-2021-00. The contract's effective dates are March 2, 1992 through March 1, 1996. The total amount of the contract is

\$6,558,451 and to date the contract has expended \$3.2 million. The contract period is in the third year of implementation.

II. Purpose:

The purpose of this mid-term evaluation is to provide USAID/Kenya with an independent assessment regarding the degree to which the KEDS Project has met its goals and objectives as stipulated in the Project Paper (PP). This evaluation will also provide the Mission with an objective appraisal of DAI contract performance as per the terms and conditions of the contract. Furthermore, this evaluation will assist the Mission in determining whether additional funding should be provided for DAI contract extension beyond the current expiry date of March 1, 1996 or to terminate the contract as scheduled. This evaluation is expected to assist the Mission in determining what adjustments should be made in project activities in order to have the greatest impact during the remaining implementation period. The evaluation is also expected to identify problems and suggest modifications to the project to ensure maximum impact and sustainability of interventions.

ARTICLE III - STATEMENT OF WORK

The mid-term evaluation will assess the following major issues of concern to USAID/Kenya:

- (1) The extent to which the KEDS project goals and objectives have been achieved: This part of the evaluation will assess the overall KEDS contribution to the promotion of non-traditional exports and the generation of employment and foreign exchange in the Kenyan economy.

- A. Firm-level Assistance - Export Development Fund (EDF): This section of the evaluation is also expected to determine the achievement of project outputs and to assess the appropriateness of EDF assistance, whether there is effective demand and the characteristics of the beneficiaries. Other issues to be addressed include the overall impact and sustainability of EDF assistance.

- (i) What impact has EDF assistance had on non-traditional exports, employment and foreign exchange in the Kenyan economy? Have there

been adverse effects such as environmental degradation as a result of this assistance? What are the major characteristics of the beneficiaries in terms of ethnic balance, socio-economic background and gender? Has or will there be significant impact on employment, foreign exchange and non-traditional exports given EDF resources under the DAI contract?

- (ii) Characterize the export services provided under EDF assistance. Are firms satisfied with the assistance provided? How can these services be improved? Which services are most in demand and why? Are there other critical services that EDF should be providing?
- (iii) Do firms go to KEDS for the EDF assistance or for buyer contacts? Could these firms pay the entire costs of the services without EDF assistance? Should EDF be a grant or loan to the exporting firms? Should EDF be focused on standardized or customized export services? Was the selection of horticultural and manufacturing exports appropriate? Should EDF assist the tourism sector on account of its high generation of employment and foreign exchange? Is EDF Eligibility Criteria appropriate and transparent?
- (iv) Is EDF sustainable within the Kenyan private sector membership organizations? If so, what modalities would be required to ensure that DAI technical services continue after the expiry of the contract?

(B) Institutional Support to Trade Associations and Government Agencies: This area of evaluation will assess the outputs as planned for under the institutional support subcomponent of the Firm-level Assistance component. This area will also

assess the impact of KEDS assistance on promotion of non-traditional exports, provision of market information to exporters, and policy dialogue between the private and public sectors.

- (i) What role has KAM, FPEAK and HCDA played in the promotion of non-traditional exports? How has the KEDS project enhanced or inhibited this role? What are the challenges these institutions face? What can the KEDS project do to enhance their role in the future?
- (ii) Which of the various project activities undertaken (technical workshops, trade shows, newsletters, market information, policy dialogues etc.) have had the greatest impact on non-traditional exports? What was the major contributing factor for this impact? How can these services be improved to increase the overall project impact?
- (iii) How would you compare trade associations (KAM and FPEAK) with GOK agencies (HCDA, EPPO and EPC), in terms of their effectiveness in policy dialogue or export promotion in general? What model is appropriate for donor intervention?
- (iv) Is KEDS project assistance to these institutions (KAM, FPEAK and HCDA) sustainable? For example, has KEDS assistance developed institutional capacity to maintain services after the expiry of the DAI contract?
- (v) Has the assistance provided to those institutions been appropriate?
- (vi) What performance criteria, if any, should USAID require if further assistance is to be provided?
- (vii) How can the project institutionalize export promotion services currently provided by the DAI technical team, within Kenyan institutions?
- (viii) How can the project measure impact of institutional support?
- (ix) Should the project assist other private sector organizations who are providing assistance to exporters?

(C) Trade Policy Environment and Dialogue with the Private Sector:

This area of evaluation will assess the achievement of the anticipated outputs related to the public sector component, the impact of policy dialogue on the policy decision making process; specific policy changes GOK made as a result of these dialogues with the private sector; and the down stream effects of any resulting policy changes on non-traditional exports, employment and foreign exchange in Kenya. In the course of evaluating the policy environment, the consultant will be expected to evaluate the KEDS Policy Matrix and to make appropriate recommendations. The evaluators should also use the KEDS Policy Matrix as a tool in assessing the policy environment and specifically answer the following questions:

- (i) Since the project implementation began, how has the macro-economic environment for export-led growth changed? What was KEDS contribution to the changes? What key changes would significantly improve the overall environment for exports?
- (ii) What role has EPPO and EPC played in non-traditional export promotion? How has the KEDS project enhanced or inhibited this role? What challenges do these institutions face? What can the project do to enhance their role in the future?
- (iii) Does Kenya have a viable trade policy? If so, should the project continue to focus on policy dialogue? If not, what are the gaps?
- (iv) To what extent has the project's policy dialogue efforts influenced trade policy changes? What policy changes should the project focus on for the remaining life of project?
- (v) How effective is the KEDS Advisory Committee? Is it serving the purpose for which it was established? If not, how can the project

goals and objectives be enhanced by the committee?

- (vi) Given the functional responsibilities of GOK ministries, should the project develop the trade policy analysis capability within the Ministry of Finance or the Ministry of Commerce and Industry?

(2) Sustainability, Institutionalization and National Level Impact:

This area involves an assessment of how best the project could sustain and institutionalize export services within the Kenyan private or public sector institutions after the DAI contract expires. This area also requires an assessment of how the project could measure its impact on the national economy. The evaluator should answer the following questions?

- (i) Is the original design valid and what mid-term corrections are suggested to better achieve the project purpose?
- (ii) How can the project institutionalize export services in the Kenyan trade and business membership organizations, such as Kenya Association of Manufacturers (KAM), Kenya Institute of Management (KIM) and Fresh Produce Exporters Association of Kenya (FPEAK)?
- (iii) Given KEDS resources, is the project likely to have significant impact on export growth at the national economy level?
- (iv) To what extent should the Firm-level Assistance component be focused?
- (v) Will KEDS activities lead to sustainable development? If not, what activities should be given greater emphasis?

- (vi) Are project impact indicators realistic and achievable within the given time-frame? Are these indicators and the data collection system appropriate?

(3) Contractor Performance:

This area calls for the evaluators' candid judgment of the contractor performance in implementing the project as per the terms and conditions of the contract. Some of the questions that should be addressed include:

- (i) Did the contractor mobilize the team to the field as scheduled? If not, to what extent has this delay affected project outputs and expected impact?
- (ii) Did the contractor provide the same equally qualified personnel as proposed in the Technical Proposal. Is the composition of the technical team appropriate? What suggestions, if any, would you give regarding the team personnel?
- (iii) Did the contractor deliver commodities and other technical services as per the implementation plan? How effective were these activities carried out?
- (iv) Has the contractor retained the technical team since the project inception? If not, to what extent have the project goals and objectives been compromised by changes in key personnel under the contract?
- (v) Is the division of labor, roles, and responsibilities of team members clearly defined under the contract?
- (vi) Considering sustainability and capacity building issues, should the DAI contract be extended, subject to the availability of USAID funds? If so, how long and at what level of effort?

(4) USAID Performance:

What role has USAID played in providing management and programmatic support to the KEDS Project? How has the interaction between USAID and DAI technical team enhanced or inhibited project performance? How could USAID improve its contribution to the achievement of project goals and objectives?

APPENDIX XIII

LIST OF PERSONS INTERVIEWED

PERSONS MET - KEDS MID-TERM EVALUATION

Date - 1995	Institution/Organisation	Persons Met
April 24	USAID/Kenya	Tom Hobgood - Chief, Private Enterprise Office Mlgwe Kimemia - KEDS Project Manager
	KEDS Advisors	Paul Guenette - Chief of Party Adrian Strain - Policy Advisor Simiyu Wambalaba - Assistant Export Development Advisor
	Ng'uuru Gakirwe Water Project	Andrew Botha - Coordinator
April 25	KEDS	Paul Guenette - Chief of Party, KEDS
	Ex - Ministry of Finance	Professor Terry Ryan - Former Economic Secretary
April 26	Hanns Seldel Foundation Re:Kenya Small Scale Farmer's Association (KESSFA)	Christian Hegemer - Resident Representative
	Kenya Exporter Assistance Scheme (KEAS)	Michael Brennan - Consultant Brian Buckley - Consultant
	Japan External Trade Organisation (JETRO)	Hiroyuki Wakabayashi - Executive Director
	Dawa Pharmaceuticals	Dr JK Karungu Marketing Manager
	USAID	USAID/Kenya George Jones - Director Jairo Granados - Acting Deputy Director Tom Hobgood Dennis Weller - Deputy Chief, Private Enterprise Office Mlgwe Kimemia

Price Waterhouse KEDS Mid-Term Evaluation Team:

Denis Gallagher - Team Leader
James Low
Njuguna Ndung'u

Andrew Hollas
Barbara Steenstrup

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Date - 1995	Institution/Organisation	Persons Met
April 27	Fresh Produce Exporters Association of Kenya (F-PEAK)	SM Ethangata - Chairman
	Gisengella	Sadik Mullei - Director
	World Bank	Yaw Ansu- Economist Dahir Warsame - Project Officer
	Echuka Investments Ltd	Cecilla Chege - Director
	Kenya Association of Manufacturers	John Kurla - Chief Executive
April 28	Horticultural Crops Development Authority	Martin Mulandi - Managing Director
	Ministry of Finance	E I Manasseh - Financial Secretary Florence Khadasia - Under Secretary
	Jacaranda Publishing	Susan Scull-Carvalho - Managing Director
	Samaki	A Waluse - Marketing Manager
	Fresh Produce Exporters Association of Kenya (Slani Roses)	Ian Morrell - Vice Chairman
		Patricia Kristjanson - Associations Consultant
	Tower Metal Products Ltd	PD Dighe - Director
	Export Promotion Council	Peter Muthoka - Chief Executive
April 29	Reading of materials and informal consultations	Evaluation Team
May 1	Internal meeting	Evaluation Team
	USAID/Kenya	Migwe Kimemia

Date - 1995	Institution/Organisation	Persons Met
May 2	Wet Farm	Mrs E Sande - Director
	Export Processing Zones Authority	Silas Ita - Chief Executive
	Makindu Growers and Packers Ltd	O P Bij - Managing Director
	Sanpac Limited	J N Ndiga - Export Manager
	USAID/REDSO/ESA	Mike Klesh - Private Sector Advisor
	USAID	Mary McVay - Evaluation Officer
	Price Waterhouse	Mike Taylor - Tax Partner
May 3	KEDS	Paul Guenette
	Ministry of Finance	Adrian Strain
	Ministry of Finance	HT Ole Ndlema - Division Chief, Export Promotion Programme Office (EPPO)
	KEDS	Timothy Durgan - Export Development Advisor
	Fresh Produce Exporters' Association of Kenya	David Gray - Acting Chief Executive
May 4	Vegpro	
	Gekins Exporters and Importers	Geoffrey King'au - Managing Director
	Kenya Association of Manufacturers	Manu Chandaria - Board Member
	Highview Farm	Rebecca Mwichigi - Managing Director
	USAID/Kenya	Kiert Toh - Deputy Director Cyrilla Bwire - Mission Economist
	Export Promotion Council	Peter Muthoka - Secretary/Chief Executive Charles Kahumburu - Economist/Statistician

Date - 1995	Institution/Organization	Persons Met
May 5	USAID/Kenya	George Jones Dennis Weller Migwe Kimemia Stephen Ndele
	KEDS	Simiyu Wambalaba - Assistant Export Development Advisor
	Gillflo	Vallabhdas Patel - Managing Director
	Kenya Association of Manufacturers	H S Sagoo - Chairman C V Sodha - Board Member
May 6	Internal Meeting	Evaluation Team
May 8 - 12	Report Writing	Evaluation Team
May 9	USAID/Kenya	Migwe Kimemia Stephen Ndele
	FKE	Tom Owuor - Executive Director Gabriel Musilu - Marketing/Finance Director
May 11	USAID/Kenya	Tom Hobgood Dennis Weller Mary McVay Migwe Kimemia
May 12	USAID/Kenya	George Jones Private Sector Office Staff and Mission Management Staff
	KEDS	Paul Guenette Tim Durgan Adrian Strain Simiyu Wambalaba

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APPENDIX XIV

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