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Country Reports

KENYA

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Exchange Rates (October 2005)

Currency	USD 1.00	EUR 1.00	GBP 1.00
Kenya Shillings, KES	73.61	89.35	129.30

List of Acronyms

AGOA	African Growth and Opportunity Act
ALMACO	Kenyan trade related consulting firm
BAS	Business Advisory Services
CBI	Centre for the Promotion of Imports from Developing Coutries of the Netherlands
CBIK	Centre for Business Information Kenya
COMESA	Common Market for Eastern and Southern Africa
DFID	Department for International Development of UK
EAC	East African Co-operation
EMDS	Enterprise Management Development Staff at ITC
EPA	Environment Protection Agency
EPC	Export Promotion Council
EPRP	Export Led Poverty Reduction Programme
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HCDA	Horticulture Crops Development Authority
ICIPE	International Centre of Insect Physiology and Ecology
ICT	Information and Communication Technology
IGAD	Inter Governmental Authority on Development
INT	International
IPC	Investment Promotion Centre
ITC	International Trade Centre
JITAP	Joint Integrated Technical Assistance Programme
KAM	Kenya Association of Manufacturers
KAMEA	Kenya Apparel Manufacturers Association
KEPSA	Kenya Private Sector Alliance
KNCCI	Kenya National Chambers of Commerce and Industry
LDCs	Least Developed Countries
MDS	Market Development Section
MFA	Multi-Fiber Agreement
MFN	Most Favoured Nation
MTS	Multilateral Trade System
NEPAD	New Partnership for Africa's Development
SME	Small or Medium-sized Enterprise
SSTP	South-South Trade Promotion
SSTU	South-South Trade Promotion Programme Unit
SWAP	Sector-Wide Approach
SWOT	Strengths Weaknesses Opportunities and Threats
TIS	Trade Information Services
TPOs	Trade Promotion Organisations

TRTA	Trade Related Technical Assistance
TSIs	Trade Support Institutions
TSU	Trade in Services Unit
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WTO	World Trade Organisation

1 Country Report – Kenya

In recent years, Kenya has faced several internal and external challenges, which have affected its economic growth and its adaptation to the world trading system. Kenya has been an important beneficiary of technical assistance from a number of international organisations, including the International Trade Centre (ITC), which has undertaken a large number of projects during the last 10 years. This evaluation seeks to study the results of ITC's interventions in Kenya, especially in assisting the economy in integration into the international trading system through an export-based development strategy.

The background section of this report includes:

- A brief discussion of the methodology and process of the evaluation drawing on the Inception Report;
- A Report and a discussion of the ITC projects sampled for the evaluation;
- A brief country profile with a discussion of the trade and development context for Kenya; and
- A review of ITC experience in the country.

The findings are presented as follows:

- Findings on the horizontal issues related to product and headquarters studies of ITC;
- Findings on the evaluation criteria for the ITC interventions in Kenya; and
- Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis.

Finally conclusions and recommendations are presented.

The Annexes contain detailed information on ITC projects, an analysis of stakeholders, a list of persons contacted and a list of the data sheets prepared according to the tools and methodologies prepared to conduct the country level evaluation.

1.1 Methodology

The overall methodology for the country studies and the Trade Related Technical Assistance (TRTA) reference framework was presented in the Inception Report. This section summarises the key methodological points relevant to the evaluation of ITC interventions in Kenya.

The project database of ITC for the period 2001-2004 shows 46 entries for Kenya (listed in Table 2). However, several of these entries relate to events/meetings held for programme development/formulation, and do not constitute actual projects.

Sampling of Projects for Evaluation

The entries in the database and the projects sampled were also classified according to the various ITC competencies and crosscutting issues/development concerns as presented in the inception report. Some of the entries/projects address more than one competence area.

A sample of 11 projects was selected for Kenya for evaluation and these are listed in Table 1:

Table 1: ITC Projects in Kenya Selected for Evaluation

S.No.	Project Description	Project Code
1	Joint Integrated Technical Assistance Programme (JITAP I and JITAP II)	
2	Export Development of Organic Products from LDCs South-South Trade Promotion.	INT/24/83A
3	Buying from Africa for Africa.	INT/W2/09A
4	Strengthening Trade Support Services for the Aid Procurement Market.	INT/w4/67A
5	Promoting Trade in Services in sub-Saharan Africa.	INT/W4/23A
6	Networking Event to foster alliances among service sector associations (South-South Trade Promotion).	INT/W3/94A
7	Trade Expansion in Cashewnuts from Africa.	INT/W3/69A
8	Market Intelligence to Improve Market Information Systems of Selected Trade Promotion Offices.	INT/47/73A
9	E-Trade Bridge for Small and Medium-sized Enterprises(SMEs).	INT/W2/08A
10	Reducing Poverty by Linking SMEs to Export Markets (Export-Led Poverty Reduction Programme (EPRP)).	KEN/04/032/A/01/62
11	Capacity building for garment exporters to meet 2005 challenges.	INT/W4/58A

Seven projects had already been completed at the time of the evaluation while four were still under implementation/ongoing. There are two country-specific projects (the country specific Cluster 11 and 12 under the Joint Integration Technical Assistance Programme (JITAP) and the Export Led Poverty Reduction Project), and nine multi-country programmes that include Kenya among the beneficiary countries. The South-South Trade Promotion (SSTP) and JITAP are the largest programmes in terms of budgets, duration, activity scope and beneficiary coverage.

The selected projects address different development concerns and crosscutting issues, and also cover most of the ITC competence areas, as evident from the Table 2.

Table 2: Number of Projects/Entries Relating to ITC Competence Areas

Competence area	No. of entries (of total 46 entries)	No. of projects (of total 11 sampled)
Export strategy	12	5
Multilateral Trade System and business implications	9	1
Enterprise management and competitiveness	4	3
Product and market development	6	6
Market analysis and strategic market research	6	5
Public-private partnership/ networking	2	2
Trade in services	5	2
Trade information system	4	2
E-competence	2	
Trade finance	2	1
Standards and quality management	1	
Supply chain management	1	
Export packaging	1	
Legal aspects	2	
Institutional infrastructure strengthening	4	
Crosscutting issues/ Development concerns		
Environment concerns	3	1
Gender		
Poverty reduction	8	1
Co-ordination with partners	3	1
South South trade promotion	4	4
Digital divide	3	1

Note: project entries refer to the entries in the project portal, sometimes projects have more than one entry in the project portal.

Survey and Evaluation Process

A local consultant with appropriate background and experience was recruited and a short training sessions was carried out in Nairobi, involving both local experts and two Core Evaluators. This was for familiarisation with the project documents, evaluation questionnaires and other tools. Local consultants were responsible for preparing the country data sheets; project data sheets and Trade Support Institution (TSI) data sheets in advance and also initiate preparations for the field study.

The local consultant also arranged the meetings of the Core Evaluator with stakeholders, where only detailed, qualitative evaluation questions were discussed. The local consultant with several TSIs discussed data sheets separately; in order to complete the information requirements of the evaluation.

In all, the Evaluation met with 17 respondents that included ITC partners and counterparts for the various projects (6), non-partner TSIs (4), major donors (3) and beneficiaries from some projects (4). In some organisations, meetings were held with more than one person. Several other organisations were contacted but meetings could not be held due to non-availability or lack of response.

Based on the views expressed by stakeholders in the course of the interviews and the Evaluation's own observations, a rating of each project on the five evaluation criteria has been provided by the Evaluation on a 4-point Likert Scale (4 – Highly satisfactory, 3 – Satisfactory, 2 – Less than satisfactory and 1 – Highly unsatisfactory). This avoids 'middling' scores such as 'modestly satisfactory' and forces a clearer position.

1.2 Country Profile

Trade and Development

Kenya, with a per capita Gross Domestic Product (GDP) of USD 385 in 2003 falls under the classification of Other Low Income Countries. Agriculture constitutes nearly 19% of GDP and a large share of export earnings. Traditional export crops include coffee, cashewnuts, tobacco and cotton. Industry accounts for about 18% of GDP. The services sector accounts for more than 63% of GDP, tourism being the largest component.

GDP growth has been nearly flat in recent years, with a near-zero growth in the year 2000 and less than 1.5% in 2001 and 2002. There has been a a slight improvement since 2002 – a real growth rate of 1.8% was realised in 2003 – mainly due to increased activity in the agricultural sector and increased trade. Meanwhile Kenya's population has grown at around 3% per annum resulting in increased poverty.

Over the last 10 years the Kenyan Government has embarked on structural and macro-economic reforms including in trade, to establish a more growth-conducive economic environment. The transition from import-substitution to outward-oriented policies has made some progress. Macroeconomic stabilisation appears to be taking hold. However, a rising trade deficit and lagging structural reforms depress investor confidence in the country.

Position in the Multilateral Trade System

Kenya's trade policy objectives include moving towards a more open trade regime, strengthening and increasing overseas market access for Kenyan products, especially processed goods and further integration into the world economy. These policy objectives have been pursued through unilateral liberalisation and regional and bilateral trade negotiations, in particular within the African region, as well as through participation in the multilateral trading system.

Kenya is a founding member of the World Trade Organisation (WTO) and has submitted its national schedules for bound rates for various tariff lines under the General Agreement on Tariffs and Trade 1994. Under the General Agreement on Trade in Services, Kenya has made commitments in telecommunications, financial services, tourism and travel-related services and transport services.

Kenya is also a member of several regional formations, such as the Common Market for Eastern and Southern Africa (COMESA), the East African Co-operation (EAC), the African Union (formerly Organisation of African Unity and the Inter Governmental Authority on Development (IGAD).

Trade Structure

External trade plays a vital role in Kenya's economic development. Its economic fortunes are largely determined by commodity prices for its agricultural exports and for oil, the country's major import.

Kenya has a high trade openness index of almost 40% (external trade in goods as a percentage of GDP), as measured by trade data in 2002. The trade balance is negative, around USD 0.8 billion combined for goods and services, and is substantially higher at USD 1.4 billion in goods alone.

Table 3: Kenya's External Trade 2002 (USD billion)

Item	Exports	Imports	Trade Balance
Goods	1.74	3.14	-1.40
Goods and Services	3.00	3.85	- 0.85

Source: World Bank

Exports

Traditionally tourism, tea and coffee have been the biggest foreign exchange earners but horticulture products have become increasingly important.

In 2002, exports of goods and services were at USD 3.0 billion, with export in goods accounting for USD 1.74 billion. The main export items are horticulture, tea and coffee[1], together accounting for nearly 60% of exports. Other major exports include petroleum products, essential body oils (perfumes, cosmetics, shampoos, other beauty products), cooking animal and vegetable oils, iron and steel articles, and medicinal and pharmaceutical products. Exports have shown erratic growth in the past few years, on account of several factors, mainly the fluctuations in international prices of commodities, which constitute the bulk of Kenya's exports.

Imports

In 2002, imports of goods and services stood at USD 3.85 billion, of which goods represented USD 3.14 billion. Imports have remained stagnant over 2001 levels. Major imports over the years have been crude and processed petroleum products (20%), industrial machinery (12%) and transport equipment (6.5%). Other major imports include unmilled wheat, animal/vegetable fats and oils (notably crude palm oil), medicinal/pharmaceutical

3 [1] Though coffee exports have been dropping in recent years, it still remains a large item in agriculture exports.

products, chemical fertilizers, unrolled iron and steel, plastics in primary form, textile fibers, and organic and inorganic chemicals.

1.3 Brief Summary of ITC Activities and Role

ITC operates in Kenya through partnerships with government as well as private sector TSIs.

ITC's assistance has been targeted at:

- Supporting integration into the multilateral system: through JITAP, by bringing trade as an engine for growth and poverty alleviation and influencing domestic policies to support trade for development.
- Developing institutional and enterprise level capacities.
- Enhancing skills and capabilities of the national trade promotion body and other apex TSIs to provide trade related services.
- Preparing sector-level exports strategies based on identification of market opportunities and national competitive advantages at the product/sector level, using ITC tools such as product/market maps.
- Use of ITC trade information tools and products.

Sector-Specific Activities

ITC has provided sector-specific assistance in sectors such as cashewnut, horticulture, fisheries, textiles & clothing and aid procurement items. This assistance has been in the form of market studies, strategy development, marketing missions, regional networking events and buyer-seller events.

The project database of ITC for the period 2001-2004 shows 46 entries for Kenya (Annex 3). However, several of these entries relate to events/meetings held for programme development/formulation and do not constitute actual projects.

1.4 Main Findings on Thematic Issues

External Environment

Kenya has a large number of technical assistance projects involving specialised implementation agencies. A substantial part of assistance is under themes relating to governance, accountability and transparency, and public procurement practices.

According to the donors, one of the major challenges facing Kenya is the weakness of the budgetary process, which needs to be strengthened so that resources are allocated according to policy priorities. The donors also urge the government to deliver on the promise of improving delivery of essential services, strengthening domestic accountability and improving all aspects of public financial management.

The general impression among donors is that there is a surfeit of technical assistance in Kenya, including in trade related technical assistance. Despite every donor having some capacity development programmes targeting government officials, the core problems in governance do not seem to have been solved. The seriousness of the present government to clean up the public service system of corruption and inefficiencies creates new hopes for an improved, responsive and clean administration.

Kenya is currently a beneficiary among selected African countries in a JITAP of ITC/ United Nations Conference on Trade and Development (UNCTAD)/WTO, and in the SSTP programmes of ITC.

The World Bank has approved approximately USD 4.64 billion for Kenya (as of May 2004) mostly in social services sectors (education and health), agriculture, environment, transportation, energy and economic management.

The United States Agency for International Development (USAID) has a large East African programme under the Trade for African Development and Enterpise programme, which includes some activities in Kenya, addressing the market access opportunities under the African Growth and Opportunity Act (AGOA).

Department for International Development of UK (DFID) has a large presence in Kenya, with programmes in trade as well as other sectors. During the past five years, the major project relating to TRTA is the Kenya Trade & Poverty Programme, with a funding of GBP 7 million. The objective of the programme is to bring government, private sector and civil society to dialogue on economic development issues facing the country. Activities include studies on trade related issues, strategies, policies, and organising public discussions, forums and workshops on these issues.

DFID, a major donor in Kenya[2] is planning to channel its funding through various public agencies, marking a major shift in the aid disbursement strategy. DFID is also planning to lobby for greater donor harmonisation through increased use of pooled funding mechanisms and Sector-Wide Approaches (SWAPs). These will incorporate work with all stakeholders active in a particular sector including government, parliament and non-state actors.

The European Commission, a large development assistance partner of Kenya, also funds some trade related projects in Kenya, dealing with preparations under the Keplotrade[3] initiative, which seeks to enhance market access into European Union (EU) under the Cotonou agreement, and sector programmes in tourism, micro enterprise management and the Trade Development Programme. The total funding in the 8th European Development Fund scheme is over EUR 100 million. Under this programme, during 2003-2004, more than 10 detailed studies have been completed addressing Kenya's challenges in international trade, covering the overall trade policy and planning as well as sector specific issues.

The United Nations Development Programme (UNDP), an active player in East Africa has its regional office in Kenya. Besides development assistance, the regional office also co-ordinates procurements and disbursements of United Nations (UN) humanitarian support organisations in the region. Relating to ITC, the UNDP has agreed to fund nearly USD 170,000 towards the 2004 activities of the Export Led Poverty Reduction Project to be implemented by ITC, as part of its National Action Plan for Kenya (2004-2008).

The Canadian International Development Agency (CIDA) also supports trade related activities such as Trade Related Intellectual Property Rights, TRIPS, related capacity building under the overall New Partnership for Africa's Development (NEPAD) initiative, including in Kenya.

4 [2] Provides development assistance through several sectors and themes including trade and poverty reduction.

5 [3] Under the Keplotrade initiative, 14 studies were carried out to assist the Ministry of Trade and Industry to assist in identifying strategies for EU market access, and to compete against lower tariffs for LDCs.

Role of Trade Promotion Organisations and Digital Divide Issues

Trade Promotion Organisations

The Export Promotion Council (EPC) is Kenya's apex organisation responsible for export development. It functions under the Ministry of Trade and Industry and its activities extend to all aspects of export promotion and development of export competitiveness. EPC was the counterpart institution in several ITC projects in Kenya. It plays a major role in implementing the National Export Strategy developed under the Ministry of Trade and Industry.

The other major organisations and agencies, which constitute the network of TSIs in Kenya are:

- Centre for Business Information Kenya (CBIK)
- Kenya Association of Manufacturers (KAM)
- Kenya National Chambers of Commerce and Industry (KNCCI)
- Kenya Private Sector Alliance (KEPSA)
- Investment Promotion Centre (IPC)
- ALMACO Management Consultants Ltd.

KAM, KNCCI and KEPSA are member-driven private sector associations. These associations all have a major role to play in preparing Kenya to deal with the challenges of integration into the world trading system. However, in relation to their responsibilities and mandate, they are incapacitated by inadequate staff capacity, inadequate financial resources and, in some aspects, inadequate experience of negotiations of trade agreements.

KAM members span more than 10 industry sectors and include many of the large industrial and business groups in the country. On the other hand, the membership of KNCCI is more broadbased and more representatives of SMEs than the KAM. In this regard, both organisations can be considered to be complementing each other.

The KEPSA was formed in 2003 to represent the voice of non-government stakeholders (industry, trade, consumers and research bodies) in policy making. It also provides a forum for interactions between government bodies and other stakeholders to improve economic performance, and facilitate trade and investment. Its members include industry associations, banks, micro credit institutions, co-operatives and even professional associations. KEPSA focuses on engaging the government and other stakeholders in addressing crosscutting issues that have a bearing on Kenya's trade, investment attractiveness and the competitiveness of Kenyan enterprises. Despite a wide mandate and a key role in advocacy, KEPSA is stretched in terms of both human and financial resources.

Donor contributions, led by DFID, account for more than 90% of the outlay of the KEPSA. A challenge to its sustainability is in its ability to provide a diversified set of services on a commercial basis without subsidising these services from donor contributions.

KEPSA was not aware of ITC and its products and services related to trade-related technical assistance.

ALMACO is a private sector consultancy, providing advisory services and project reviews and evaluations for various clients, including donors. It is the National Co-ordinator of some ITC supported programs in Kenya, such as JITAP, Export Led Poverty Reduction Programme (EPRP) and Executive Forum. ALMACO offers the secretariat to the Kenya National Committee on WTO and also co-ordinates dissemination of information on MTS developments to the business community (through KAM and KNCCI), and to the academic community (through the Universities). ITC partnership with ALMACO is the first case of ITC collaborating with a private consulting firm as the national partner for ITC activities. The initiative of ALMACO has been an important factor in the introduction of some of ITC global products/programmes as well as successful implementation of activities under JITAP and other programmes in Kenya.

The CBIK is Kenya's national Trade Information Service, an entity under the Export Promotion Council. CBIK provides businesspersons a range of trade information, including trade data, publications and reference materials. It also provides access to proprietary tools and products of international bodies, for example the ITC Product Maps. Most services of CBIK are available as library services on its premises. Active partnerships with Centre for the Promotion of Imports from Developing Coutries of the Netherlands (CBI), ITC and USAID provide the CBIK with resources to provide its services. CBIK is also one of the notified reference centres under JITAP and stocks a full set of materials relating to the WTO and international trade issues.

The CBIK is well resourced to provide basic information services to its clientele. The library and materials are well maintained, and the Evaluation found the staff to be customer-friendly and efficient. However, the CBIK needs to build its image among the private sector as a competitive and best-in-class TSI, to buttress its low revenues. This will need special skills and new services to be offered by the CBIK.

Digital Divide Issues

Compared to its neighbours in East Africa, Kenya can be said to have the most developed Information and Communication Technology (ICT) sector and yet still lags far behind on a global scale. In the year 2000 Kenya had 500,000 Internet users (about 1.5% of population). Telecommunication service charges in Kenya are nearly thrice as high as in neighbouring countries and considered uncompetitive by entrepreneurs. These factors limit the penetration of the digital revolution in Kenya.

The Government of Kenya has constituted a task force to oversee the formulation of e-commerce infrastructure and documentation of an ICT policy.

Bridging the digital divide is dependant on several factors:

- Infrastructure: Basic supply of electricity is often unreliable and not cost effective. Connectivity and infrastructure in Kenya is inadequate with low bandwidth and Internet usage.

- Education: Educational institutions are only now beginning to teach ICT courses.
- Finance: Scarcity of investment capital stalls setting up infrastructure.
- Policy/Legislation: An ICT strategy and policy need to be developed by the Government.

The use of modern ICT in Kenya is gaining momentum and organisations and institutions are increasingly realising the importance of ICT in their day-to-day operations. They are developing websites and embracing the e-commerce possibilities on a business-to-business scale. With several ITC products and services becoming available online, their use to Kenya's SMEs would depend on the increased access and affordability of connectivity to SMEs. However, the need for exposure to e-practices is being addressed by ITC. ITC 's e-Trade Bridge for SMEs programme is being launched in partnership with CBIK, with the objective of providing technical assistance, including training, to SMEs for adopting e-Trade for improving their efficiency.

Horisontal and Functional Themes

Use of Division of Product and Market Development Tools and Products

There is a varying degree of use of ITC's Division of Product and Market Development, DPMD, cluster of products and services.

According to many TSIs, especially KAM and KNCCI, which have large member lists, ITC's product and market guides are practically useful tools for the businessperson. The more sophisticated planning tools notably the Trade MAP, Country Map and Market MAP have been put to use in the national/sector export strategy formulation. ITC's Market Analysis Tools were introduced in 2003. Although these products are proprietary to ITC and need to be purchased under a licence, EPC has made some of these products accessible to the private sector as well, with ITC consent/approval. ITC was aware of their usefeulness to industry bodies. The National and Sector Export Strategies draw considerably from these tools.

The industry associations KAM and KNCCI as well as the CBIK, also have a sizeable list of ITC publications, which are made available for reference by their visitors and registered members. Additionally, the CBIK also provides use of the ITC market information tools on its premises, using its computers. On an average, each month, close to 200 users visit the CBIK for trade related information requests. However, KAM suggested that ITC regularly update its TSI partners on the release of new publications as well as send a few sets to a select mailing list of apex bodies, so that users could gain access to the full collection of information products developed by ITC.

World Trade Net and Business Advisory Services

World Trade Net

The programme has currently 51 member countries (in north Asia, Africa, south and central America and eastern Europe). At present, Kenya is not a member of any of the 10 local networks formed in Africa and Asia under the World Trade Net programme of ITC. The World Trade Net membership is only initiated at the request of partner institutions and is not promoted actively by ITC, as interest and commitment for country activities can only be confirmed by potential network members in that country.

Business Advisory Services

Among the various types of Business Advisory Services (BAS), the following were either directly or indirectly included in the ITC projects in Kenya:

Table 4: Business Advisory Service Areas in use in Kenya

BAS Service Area	ITC project(s) in Kenya addressing the respective service
Business implications of the trading system	JITAP
Capacity building of TSIs	JITAP customs training module, Strengthening Trade Support Services for Aid Procurement, Market Intelligence to improve Management Information Services
Export packaging	
Standards and quality Management	Organic Products Development,
Trade Finance	JITAP (module not included finally)
Trade Law	

Note: The table above shows that the evaluation of BAS will be conducted through the evaluation of JITAP.

Small or Medium-sized Enterprise competitiveness

Kenya's liberalisation reforms have revealed the weaknesses and the lack of external competitiveness of Kenya's enterprises, particularly the SME sector.

The key problems identified for this lack of competitiveness, are:

- Lack of access to capital – although there has been an emergence of micro credit institutions; there is still a big gap in the financing needs of SME sector.
- Low level of skill and technical competence.
- Lack of linkages within the micro, small, medium and large enterprises.

Studies have shown that over 80% of the businesses are in the micro-sector (employing less then two people). The large businesses find it difficult to find reliable business partners in the SME sector to work with. Similarly, SMEs are not aware of opportunities that clearly exist with these large enterprises.

ITC has several products and services to address competitiveness of SMEs. Some of ITC programmes in Kenya, for instance, EPRP, e-Trade Bridge, and to an extent, the Buying from Africa for Africa programme address issues relating to SME competitiveness in their activities. However, due to budgetary constraints, ITC's e-Trade Bridge programme could not be extended beyond the initial stages to actually provide the training to SMEs. ITC has some products relating to benchmarking and assessment of TSIs/Trade Promotion Organisations (TPOs), but these have not yet been introduced in Kenya. It is expected that the CBIK and other ITC partners would be trained in ITC products and disseminate knowledge and usage of these products further among end user enterprises. In this regard, the project for improvement of TPOs to provide market and trade information services to increase the capacity of the CBIK is very relevant.

South-South/Development Concerns

Kenya is a member of the COMESA, the EAC, the African Union and the Inter Governmental Authority on Development. Nearly 45% of Kenya's total exports are to COMESA countries (Kenya Central Bureau of Statistics – 2002). The immediate neighbouring countries – Uganda, Tanzania and Ethiopia – alone account for about 36% of Kenya's exports. This high share of Kenya's exports to neighbouring and regional countries underlines the importance of south-south trade for the country.

Under the ITC global programme SSTP, Kenya is a beneficiary country in four separate projects, which have helped in creating awareness and a basis for forming an alliance among participating countries, to increase intra-regional trade. An interesting initiative has been the 'Buying from Africa for Africa' programme, which seeks to increase local procurements by humanitarian aid procurement organisations, most of which have their African nodal offices in Kenya.

Gender and Poverty Reduction Issues

Gender-focussed approaches seem to be missing in many ITC interventions in Kenya, and there are no gender-specific components in any of the projects sampled for the evaluation. However, TSIs in Kenya submit that there is a large involvement of women in agriculture, plantations and food processing sectors and to a considerable extent, in tourism services as well. Therefore, women are beneficiaries of several capacity development programmes in these sectors. On the other hand, there is an absence of womens' groupings in Kenya in trade related areas.

Similarly, ITC activities in Kenya are primarily focused on developing capacities in the partnering TSIs, which is quite in accordance with ITC's strategy; however, there is an absence of sector-specific interventions involving the final beneficiaries. Recently, ITC launched a community-level poverty reduction intervention – EPRP programme in Kenya, based on the successful experience with such programmes in other countries such as China, India, Brazil and Vietnam. The EPRP project is to be located in the Rift Valley Region and shall benefit community groups through export market linkages. The experience of EPRP can be replicated in other settings and in other sectors as well, and can lead to a more direct intervention for diadvantaged communities and poorest of the poor.

Organisational and Management Aspects

Project Cycle Management

At the country level, ITC co-ordinates projects through its Desk Officers based in Geneva, who serve as the key link between the national partners/beneficiaries and other ITC departments that deliver the programme activities.

Project Identification

In the case of multi-country projects (of the projects sampled in Kenya – SSTP, JITAP, e-Trade Bridge and Cashew), they were initiated by ITC, based on needs identification through internal research. The respective government bodies and TSIs were then taken on board through interactions in the form of workshops, one-to-one meetings, etc. However, in one case, INT (International)/4773, for improvement of TPOs to provide market and trade information services, the project idea was proposed by the TSI (CBIK) and is was referred to ITC for detailed consideration.

Implementation phase: Usually ITC staff members were not directly involved in project implementation. Their involvement was limited to providing experts/resource persons, providing technical support and establishing linkages. Partnering TSIs and other implementing agencies were requested to submit Periodic Progress Reports for monitoring by ITC. ITC experts also participated in Review Meetings for monitoring the project progress.

Feedback to ITC

The partnering TSIs indicated that there is regular interaction with ITC, either through Periodic Progress Reports (generally quarterly) or joint review meetings. While this is true for projects under implementation, a mechanism for formal post project feedback is almost absent in all projects. Similarly, the post project responsibilities of partners are not formally spelt out, resulting in a lack of ownership and accountability among beneficiaries, participants and facilitators.

Budgetary and Funding Issues

Kenya has a high dependance on external funding for its development initiatives. The government remains challenged in providing budgetary support to sectors that are identified as high priority with regard to export enhancement and poverty alleviation potential.

In this regard, a principal observation of the Evaluation is the near-complete absence (except EPRP) of country-specific sector-level projects in Kenya, despite the proven ITC specialisation in several sectors in which Kenya has export potential. This is to a large extent explained by the overall funding constraints that affect ITC service delivery, and more by the suspension, by several donors, of bilateral assistance to Kenya for a considerable part of the past 10 years.

However, the current preferences of large donors as well as the Kenyan government are towards a sectoral approach. DFID, one of the major donors active in Kenya, is also planning to lobby for greater donor harmonisation through increased use of pooled funding mechanisms and SWAPs. With these changing perceptions, ITC should consider larger-format programmes in synergy with the funding priorities of donors active in Kenya, in order to enhance service delivery in the country through national programmes.

1.5 Country Level Evaluation

Summaries of Projects Sampled

Brief descriptions of the 11 projects sampled for country level studies in Kenya appear below.

1. Joint Integrated Technical Assistance Programme

JITAP was a multi-country programme covering eight countries, with an aim to support their integration into the multilateral trading system, and prepare for the increasing market access opportunities under the WTO. Kenya was among the beneficiary countries. JITAP was implemented through several agencies – ITC, UNCTAD and WTO, each responsible for some of the 15 clusters in the programme.

In Kenya, besides government departments, ITC also partnered with a private sector consultancy ALMACO, to provide local support for some JITAP clusters, as well as the overall co-ordination of its activities under JITAP. The Export Promotion Council under the Ministry of Trade and Industry was in charge of activities under Clusters 11, 12 and 14.

The main activities under JITAP I were the following:
Setting up of reference centres for disseminating trade-policy related information- there are four reference centres in Kenya: at the Ministry of Trade and Industry (focal point); at the CBIK (under the Export Promotion Council); at the Kenya International Business Training School; and at the Kenya Bureau of Standards. The reference centres have been provided a large set of trade related reference materials, including ITC publications, and licensed access to ITC's net-based TradeMap services.

Training of trade negotiators in the WTO agreements and formulating positions (this part was implemented by UNCTAD and WTO, the other partners in JITAP): The modules involved training of trade negotiators, customs officials, standards authorities and other stakeholders, including members from the industry and trade associations. In the Export Promotion Council, one official was trained in Geneva and has been nominated as the resource person for dissemination on MTS issues, and is also a master trainer.

Sector level export studies and strategy documents: Under Cluster 11, product-market matrices were prepared for identifying appropriate export products for Kenya. Based on these outputs, sector strategies have been prepared for two sectors - fish and horticulture under Cluster 12. The activities were completed in 1999 and included an operationalisation plan for these sectors, which are proposed to be funded under Module 4 of JITAP II. ITC also assisted in the preparation of a National Export Strategy for Kenya, which was officially adopted by the Ministry of Trade and Industry in 2003.

Training of customs officials and stakeholders from the private sector (customs clearing agents, forwarders, assessors, etc.) on practical aspects of the implementation of the WTO Agreement on Customs Valuation, which Kenya acceded to in 2000. More than 600 persons were trained in Kenya, under a batch of 10 master trainers.

Activities under Cluster 14 included preparation of a guide for SMEs on how to borrow from banks.

Under Cluster 15, a guidebook for SMEs using the ITC 'Trade Secrets' template, was adapted to Kenya.

Some funds were used for the purchase of equipment - computers, LCD projectors, copiers, etc. JITAP funds covered the costs of hardware and installation but not maintenance contracts, which were to be arranged by EPC itself.

JITAP II: Under JITAP II, Kenya has not commenced any activities, as funds could not be allocated by ITC until June 2004. However, activities are expected to start shortly.

National Export Strategy: Based on the outputs from Cluster 11 and Cluster 12, Kenya has also prepared, with ITC assistance, a national export development strategy consisting of 10 sectors and six crosscutting issues. The sectors include fisheries, horticulture, textiles, food and beverages, tea, coffee, tourism and ICT. The World Bank has endorsed the document and is considering financing some aspects of the strategy. In 2004 the Kenyan government allocated KES 13 million for the initial implementation steps.

The beneficiaries have acknowledged the contribution of JITAP towards building capacities in government and private enterprises to deal with the Multilateral Trade System (MTS) by focusing on export development.

JITAP resulted in creating awareness of export opportunities and sector-specific strategies. However, to realise the benefits from trade, several implementation actions are required, which are beyond the scope of JITAP. As a result, the successful results from the technical assistance provided under JITAP are dependent on factors, which JITAP itself has little control over.

Most of the preparatory work in the export strategy activities was done internally by ITC, involving national consultants and participants from all stakeholder groups, and there is now improved capability to undertake similar exercises with reducing levels of external technical support.

However, there has been some criticism in respect of the following:

- Cluster 14 was not considered to be satisfactory by more than one entity involved in the activities. Besides delays in the activities themselves, the larger issues relating to the banking policies and accessibility of credit to SMEs remained unaddressed, and this cluster was not satisfactory according to the co-ordinator.
- Even though JITAP II was announced close to 18 months ago, activities have not commenced so far. The activity plans were expected to be ready by August 2004.
- There appears to be disagreement among various stakeholders (ministries) on whether a national body should spearhead the export strategy for sectors. Some stakeholders

preferred to see product or sector level statutory bodies in charge of sector strategies. The Evaluation also found a low level of ownership of the results among several stakeholders met during the field mission.

There does not seem to be a cordial and co-operative relationship among some implementing partners. According to some sources, personality issues and one-up-manship have taken overthe initiative. As a result, there is lack of team spirit. There is not a wholehearted acceptance of the National Export Strategy among key partners in the programme, especially in terms of implementation modalities and leadership.

There has been a reversal in the positive trends in customs valuation issues that resulted from the training in customs valuation. Since 2000, collections had begun to improve as a result of greater transparency in the valuation of customs duties and reduction in transaction costs/delays. However, the most important issue of creating a system of appeals has not taken place in practice. Even though there is an Act for the Appellate Tribunal on paper, the appellate members have never met and adjudicated on cases. As a result, there is a reversal to the older arbitrary system of valuation, which is non-transparent and causes revenue leakages besides uncertainties. This was recounted to the Evaluation by one of the master trainers in the Customs Programme, a high-ranking ex-official in the Kenya Revenue Authority.

Table 5: Summary of Project Details - Joint Integrated Technical Assistance Programme

Status and duration	JITAP I 1999-2002, Completed
	JITAP II initiated 2003
Beneficiaries	Ministry of Trade and Industry (officials)
	Export Promotion Council (officials)
	Kenya Revenue Authority (Customs department)
	Kenya Bureau of Standards
	Kenya International Business Training School
	Private sector operators related to customs clearance and valuation
Coverage/Location	Multi-country project in eight countries including Kenya
Budget (Donor)	USD 2.48 million in 2004, Common Trust Fund
Major objectives	Integration into MTS, Export Strategy Development, Market linkages
Project results	Four reference centres on WTO issues were established and trade informtion materials were supplied, including access to Trade MAP, etc. Training of trade negotiators on WTO issues by UNCTAD and WTO. Customs officials and private sector participants trained to implement WTO Customs Valuation Agreement. Sector-level export studies for two sectors (fish products and horticulture), 'Trade Secrets' guidebook for SMEs adapted to Kenya. Results from the project have been used in preparation of a National Export Strategy for Kenya, and reference centres are operational. However, the main objectives of the customs' training component remains unattained due to factors beyond the control of the project itself.

2. Export Development of Organic Products from Least Developed Countries INT/24/83A

This multi-country project consisted of technical assistance to Least Developed Countries (LDCs) and other low-income developing countries, to build up a sustainable export business in organic products. The assistance was to involve capacity building in certification, export marketing, market research and marketing intelligence, making the maximum use of electronic communication systems including the Internet. The project would help to establish or strengthen the already existing regional networks, to maximize effectiveness and ensure the sustainability of these activities.

Activities (relating to Kenya) as reported by ITC indicate that a supply survey/needs assessment on organic beekeeping was carried out in Kenya, Tanzania and Zambia; followed by a small study of selected target markets, i.e. Belgium, Germany and the United Kingdom. The ITC project document reports that all three countries have good export potential at the same time, as there appears to be a world shortage of organic honey and other hive products. The mission report provides recommendations on further development of the organic beekeeping industry in the countries concerned.

ITC consultants also participated in the Organic and Natural Products Round Table 2003, attended by 115 participants from 15 countries, and presented papers.

Mission Observations

Although ITC activities in the project are well documented, the field mission could not find evidence or a high recall of the project and its activities, neither from the Export Promotion Council nor the Horticulture Crops Development Authority (HCDA). The HCDA did have a faint recall of some activities related to organic cultivation, but felt that the major challenges were not in teaching farmers, but in procuring the funds for certification, which is beyond the reach of small farmers, and beyond the capacity of the institutions as well.

However, some linkage to training was found in another project, the EPRP project in Rift Valley, where 50 farmers had been selected for beekeeping and honey exports. According to the project co-ordinator, International Centre of Insect Physiology and Ecology (ICIPE) has imparted training to these farmers in the practices of beekeeping and this was connected with the export development project.

The project faces several supply side constraints in organic product exports, of which the important ones are highlighted below:

- Narrow and widely scattered supply base, resulting in difficulties in organising supplies from the dispersed production areas.
- Difficulty in accessing export credit and working capital finance for the unorganised and small enterprises, which is a serious issue for all of Kenya's industrial activities. Banks are wary of funding enterprises and the government has yet to finalise a targeted SME finance programme involving mandatory or priority lending on concessional terms.

- Inadequate preparedness of the enterprises to deal with requirements of exports relating to product quality, packaging and documentary practices.

Notwithstanding these, honey is an appropriate product for community level intervention and has been rightly taken up under the EPRP; the scale of activities is much smaller, and there is a greater possibility for establishing sustainable market links than in a sector approach. In case the honey cultivation becomes a successful experience in the EPRP project, the lessons can be replicated in other areas, including at a larger sub-sector scale.

At another level though, it would be in order to examine whether it is worthwhile to continue future activities in products like spices, honey, etc., which do not find prominence in the National Export Strategy. Given the limited financial and technical resources, it will become increasingly important for Kenya to orient all technical assistance only in the 10 sectors identified in its National Export Strategy; and not dilute them over isolated activities on marginal products like honey, simply because there are multi-country programmes with some budgets for each country.

Table 6: Summary of Project Details – Export Development of Organic Products from Least Developed Countries

Status and duration	March to December 2003
Beneficiaries	ICIPE, and organic producers/bee keepers in Rift Valley
Coverage/Location	Eight countries, including Kenya
Budget (Donor)	USD 791,798 (Denmark)
Major objectives	Building a sustainable export business in organic products, through capacity building; and establishing or strengthening already existing regional networks.
Project results	Supply and needs assessment studies in honey Study visits for selected target markets in EU Dissemination at Organic Products Round Table

South-South Trade Promotion Programme, including four Projects:

- Buying from Africa for Africa
- Strengthening Trade Support Services for the Aid Procurement Market AB INT 467
- Promoting Trade in Services in sub Saharan Africa INT W4/23
- Networking Event to foster alliances among service sector associations INT W3/94

A detailed evaluation of the SSTP has been carried out and appears as one of the volumes of the evaluation. The observations below pertain only to experiences and findings in Kenya for the projects sampled.

3. Buying From Africa for Africa

This was a new dimension to the SSTP programme, aimed at increasing participation of African suppliers in the development aid procurement taking place in Africa. Kenya is the regional headquarters of several humanitarian supplies agencies and the design of an

SSTP event focusing on humanitarian supplies, with suppliers in the region was considered a very innovative concept. The participating countries at the event were selected from the results of a trade flow analysis with the aim to identify the export potential of these countries with regard to shelter, personnel protection and household items. The participating companies at the event are identified by trade promotion organisations in the selected countries and short-listed, based on the recommendations of auditors who visit them in each country. The auditors also offered consultancy assistance to the companies in preparing for the event, and advising them beforehand on the requirements of the agencies.

Table 7: Summary of Project Details – Buying from Africa for Africa

Status and duration	2002 to 2005
Beneficiaries	TSIs, Business enterprises participating in buyer seller meets
Coverage/Location	Sub Saharan African countries
Budget (Donor)	Part of SSTP budget of USD 2,100,000
Major objectives	Enhancement of procurement from African suppliers by humanitarian organisation.
Project results	Intra trade potential studies Product selection workshops Supply-demand surveys Preselection and audit of participants Organisation of buyer-seller events

4. Strengthening Trade Support Services for the Aid Procurement Market

The project was linked to the previous one, and related to the building of capacities of TSIs in Kenya, Tanzania and Uganda; particularly the TPOs, for addressing the needs of exporting enterprises supplying products to humanitarian and relief agencies under the SSTP Programme.

Activities in 2003 included the following:

- Assistance to representatives from key TSIs in Kenya, Uganda and Tanzania to participate actively at a Buyer-Seller Meeting.
- A needs assessment mission to the three countries to assess strengths and weaknesses of TSIs, particularly their ability to provide effective trade support and business advisory services to bring both parties (suppliers and aid procurement agencies) closer together; and to allow suppliers to secure a higher share of the aid procurement market.

Table 8: Summary of Project Details – Strengthening Trade Support Services for the Aid Procurement Market

Status and duration	May 2001 to December 2002
Beneficiaries	TSIs, EPC in Kenya
Coverage/Location	Sub Saharan African countries
Budget (Donor)	USD 98,737 (Global Trust Fund)
Major objectives	Capacity and demand study of business-to-business services, training workshops for enterprises, train-the-trainer orientation workshops.
Project results	Training workshop for TSIs relating to the SSTP programme.

Mission observations for both events:

In Kenya, the Export Promotion Council was the national counterpart institution for the project. Under the project, officials of the EPC were exposed to the ITC SSTP methodology and the three steps it involves.

For the first event, EPC developed a database of buyer agencies located in Kenya. Many buying agencies had procurement offices in Kenya, managing requirements for the East African market. However, there was no mention of having co-ordinated any work of national consultants in identifying suppliers or producing supply surveys.

There were not many suppliers to the aid business, and many suppliers that attended the buyer-seller meetings had already been introduced to some buying agencies. As a result, there was practically no demand for information about the event or requests for support to prepare dossiers. As to monitoring outcomes from the events, EPC stated that follow-ups are always ineffective because suppliers do not want to disclose details of business concluded at the events.

On the whole, the Evaluation noted a lack of enthusiasm and interest in the SSTP intervention, contradicting the fact that Kenya was proactive in hosting a second meeting on this theme in 2003, without any support from ITC. The only positive outcome for the EPC has been stated as the transfer of skills in organising buyer-seller events without ITC assistance, as shown in their independent handling of the second meeting in 2003.

End-User Surveys

As part of the evaluation of the SSTP Programme as a technical study, the Evaluation sent simple questionnaires to 26 aid organisations and 27 suppliers from Kenya that were mentioned as participants in a list given by ITC. (The EPC could not furnish this list when sought by the Evaluation).

Of the 53 respondents, eight mails bounced, and only one buyer and six sellers answered. Two reasons for the poor response could be the deletion of the mails by spam mail filters, and lack of inclination to reply.

Only one procurement organisation responded to the questionnaire. Even the UNDP office in Kenya, which maintains data on the procurements by UN bodies in the region, could not provide any information on procurement under the 'Buying from Africa for Africa' programme, and the officer concerned was not well aware of the project.

The Evaluation also interviewed two respondents in Kenya, who were already regular suppliers to humanitarian aid organisations, and were registered with the UN procurement offices in Africa. One of them got a few enquiries for three months from two agencies that had met it at the event, which stopped thereafter. The other did not gain any business from the event. Both mentioned that while the need addressed by the programme remained, the benefits from the programme were minimal.

According to the suppliers, key issues that impede local supplies to humanitarian aid procurement are:

- Absence of common specifications even for simple products like pots, pans and tents.
- Lack of distinction between manufacturers and traders, which often results in traders getting consolidated orders for supplies of several goods, and negotiating with manufacturers after getting orders, which can often be exploitative.
- Absence of rate contract systems (based on normative costing) with indications of off takes over a longer period.

5. Promoting Trade in Services in Sub-Saharan Africa

This project targeted the development of service exports through enhanced awareness of opportunities, building a database on exportable services and service providers, and service sector alliances in selected sub-Saharan countries – Ghana, Nigeria, Tanzania, Kenya and Uganda. The activities entailed a capacity and demand study of business-to-business services, followed by export-readiness training workshops for enterprises; a train-the-trainer orientation session for TSIs; and a session for government officials. The train-the-trainer workshop aimed to build capacity within chambers of commerce and services industry associations to deliver training to member companies on an ongoing basis.

Table 9: Summary of Project Details – Promoting Trade in Services in Sub-Saharan Africa

Status and duration	May 2001 to December 2002
Beneficiaries	TSIs, EPC in Kenya
Coverage/Location	Sub Saharan African countries
Budget (Donor)	USD 98,737 (Global Trust Fund)
Major objectives	Capacity and demand study of business-to-business services, training workshops for enterprises, train-the-trainer orientation workshops.
Project results	Databsed of exportable services and service providers Formation of sector alliances in selected African countries Identification of export-ready enterprises and training

6. Networking Event to foster alliances among service sector associations

This project (USD 45,000) was designed to foster in-country and cross-border partnerships among services sectors by adapting the Buyer-Seller meeting format of the South-South Trade Promotion model to the services sector. This involved identifying potential clusters in services (five clusters were selected, i.e. business services, education, construction, Information Technology and tourism) in three countries – Uganda, Kenya and Tanzania – and holding a workshop in Kenya.

ITC reports that capacity studies were developed and training was delivered to SMEs, professional associations and Chambers of Commerce in the five recipient countries. Over 500 companies received export-preparedness training. New regional bodies of services exporters have emerged in three countries. The ITC training modules have been adapted and included in many educational institutes. There is also heightened awareness within Governments of the importance of the service sector.

According to ALMACO, which co-ordinated some activities in the project, networking among services exporters is a necessary process in the building of cross-border alliances in the service sector. This is because services account for more than 50% of Kenya's GDP and a large share of its exports.

Table 10: Summary of Project Details – Networking Event to Foster Alliances among Service Sector Associations

Status and duration	2002, completed
Beneficiaries	Service sector associations
Coverage/Location	East African countries, five sectors
Budget (Donor)	USD 45,000
Major objectives	Capacity and demand study of business-to-business services, training workshops for enterprises, train-the-trainer orientation workshops.
Project results	Several service providers and industry bodies attended the workshop in Kenya. A service exporters association was formed in Kenya to prospect alliances in other countries to bid for projects, provide cross-border advisory services, and to explore other synergies as consortia.

7. Trade Expansion in Cashew Nuts from Africa

This multi-country project consisted of organising conferences to increase networking among exporters of cashew nuts in Africa; and promote value-added cashew nuts and create awareness of market opportunities. The participant countries included Benin, Ivory Coast, Ghana, Kenya and Tanzania.

The activities included preparation of national studies of the sector, holding regional Round Tables to provide the opportunity to jointly address several issues of common nature, and development of a cashew nut portal and website for the region.

Kenya participated in the first event held at Burkina Faso, at which the Product Maps were distributed. External consultants had done the market opportunity studies, based on which buyer-seller meetings were arranged at the event.

According to EPC, Kenya did not benefit from the event, primarily because it was not a major cashew producer and also because its own processing industry was not performing well. The largest cashew nut processing company in Kenya was almost on the verge of closure, under an export policy that did not sufficiently encourage value-added exports instead of raw nut exports. Policy changes in the sector were the purview of the Ministry of Agriculture, which could not be sufficiently influenced by the EPC.

EPC also did not get the reports following the first buyer-seller meeting, and declined to participate in the second phase of the project in 2001. However, presently the processing industry is under a revival phase and there may be an increasing interest in future events in the sector.

The field mission observations on this project demonstrate the ineffectiveness of technical assistance in products that are not a priority for exports or poverty reduction strategies. The example illustrates the wastage that occurs in improperly targeted technical assistance; and the pursuit of an availability-driven approach instead of a needs-driven approach. The contrasts between Tanzania and Kenya in the same project will substantiate this observation.

Table 11: Summary of Project Details – Trade Expansion in Cashew Nuts from Africa

Status and duration	October 2001 to June 2002
Beneficiaries	Export Promotion Council
Coverage/Location	Five countries in Africa including Kenya
Budget (Donor)	USD 84,485 (Global Trust Fund)
Major objectives	Increasing networking among exporters of cashew nuts and promotion of value-added products.
Project results	Product Maps and country reports were prepared for the participant countries. Round tables were held to address common issues. Buyer seller meetings were arranged. Kenya did not participate in the second round of events.

8. Market Intelligence to Improve Market Information Systems of Selected Trade Promotion Organisations

This project concerned capacity development at the CBIK, which is Kenya's national Trade Information Service, an entity under the Export Promotion Council. The CBIK was started in December 1998 with four business counsellors and support staff, all under the rolls of the EPC.

The need for this proposal emerged from CBIK participation at a CBI market intelligence seminar programme in December 2003, which identified strengths and weaknesses of TPOs in trade information capacity. With inputs from ITC, a new proposal with a budget of USD 140,000 over a two-year timeframe has been submitted to the government of Netherlands for consideration.

CBIK provides businesspersons a range of trade information, including trade data, publications, reference materials, and also access to proprietary tools and products of international bodies, for example, the ITC Product Maps. Most services of CBIK are available as library services on its premises. Active partnerships with CBI, ITC, UNDP and USAID provide the CBIK with resources to provide its services. CBIK is also one of the notified reference centres under JITAP and stocks a full set of materials relating to the WTO and international trade issues.

According to the CBIK, this project is still at the proposal stage. It targets the strengthening of CBIK, through staff training in information management, analysis of trade data, development of information resources and dissemination to target clientele. The centre also proposes to introduce trade related training programmes for business enterprises, for instance, the export fitness checker programme of ITC and the e-Trade Bridge, suitably adapted for Kenya.

Mission Observations

The CBIK is the official trade promotion service in Kenya and has the basic infrastructure to provide basic information to businesspersons. It also has three trained counsellors to advise business on trade related issues. However, financial self-sufficiency is a serious constraint to CBIK. Its revenues are from user charges of its web search engines (proprietary databases) and other specific requisitions for trade reports and market studies. At present, it receives around 200 enquiries and over 100 visitors a month. The revenue base is absolutely inadequate to cover even a part of its costs, leave alone salaries of its staff.

Table 12: Summary of Project Details – Market Intelligence to Improve Market Information Systems of Selected Trade Promotion Organisations

Status and duration	November 2001 to December 2002
Beneficiaries	Centre for Business Information Kenya
Coverage/Location	Multiple countries, including Kenya
Budget (Donor)	USD 338,972 (Netherlands)
Major objectives	Strengthening capacity of participating institutions in management and delivery of trade information.
Project results	Identification of strengths and weaknesses of TPOs in trade information capacity. Formulation of project proposal for funding.

9. E-Trade Bridge for Small or Medium-sized Enterprises

The CBIK mentioned this as a programme to be started shortly and that it would be the likely partner for this programme, which will follow the activities under the project: Market Intelligence to Improve Market Information Systems of Selected TPOs. No mention was made about any actions having already been carried out in the project.

However, ITC officials involved with the programme cite the following activities (the stakeholders did not mention these in the interviews), as already having been carried out under the kick-off component of the programme, which was funded separately:

- Kick-off Meeting,
- Preparation of an e-preparedness report of Kenya,
- Training of two assessors, and
- Counseling to an enterprise through the assessors to e-nable the enterprise.

No further actions are envisaged at this stage for Kenya for budgetary reasons.

Mission Observations

The CBIK is the official trade promotion service in Kenya and has the basic infrastructure to provide basic information to businesspersons. It also has three trained counsellors to advise business on trade related issues. However, financial self-sufficiency is a serious constraint to CBIK. Its revenues are from user charges of its web search engines (proprietary databases) and other specific requisitions for trade reports and market studies. Presently, it receives around 200 enquiries and over 100 visitors a month. The revenue base is absolutely inadequate to cover even a part of its costs, let alone salaries of its staff.

Table 13: Summary of Project Details – e-Trade Bridge for Small or Medium sized Enterprises

Status and duration	May 2002 to December 2005, stopped after first stage
Beneficiaries	Centre for Business Information Kenya
Coverage/Location	Global project covering several countries
Budget (Donor)	USD 3,000,000 (Global Trust Fund Window 2)
Major objectives	Creating internationally competitive e-competent businesses and building national e-capacities within supporting institutions.
Project results	Preparation of e-readiness report for Kenya. Training of two assessors. Counseling to an enterprise for e-nabling it. There were information gaps as to the status of the project, and the counterpart organisation did not mention the above activities as having taken place (ITC usually delivers inputs direct to the participant enterprises in this project), and referred to the E Trade Bridge as a project to be delivered through CBIK in future. Meanwhile, funding for the project is over and no further activities are envisaged by ITC.

10. Reducing Poverty by Linking Small or Medium-sized Enterprises to Export Markets

Although this UNDP project is referred to as an EPRP project, according to ITC, a separate EPRP project is to commence in Kenya, covering the same products and communities. However, these do not alter the evaluation of this project, which is based on interviews with stakeholders and on the project document provided by ITC. It therefore remains valid.

Following a request in early 2002 from the Government of Kenya for programme support under the Export-Led Poverty Reduction Programme, ITC conducted an opportunity study (May-June 2003) in Keiyo, Koibatek and Baringo districts. This was in order to assess the possibility of linking up small-scale farmers in the three districts with export markets under a pilot EPRP project.

In line with the concept of the EPRP design, the opportunity study identified a few target communities, products, existing exporters and TSIs (public and private) that fulfilled the criteria; and could form the core of an EPRP pilot project. Accordingly, four farmers' groups, Eldume and Kapkee (to produce chillies), Rachemo (honey) and Tiripkwen (French beans), have been identified for support under ITC's EPRP programme. The pilot project aims at integrating the four selected poor communities through product and market development into the export value chain. The pilot project would be replicated to wider communities once success is recorded.

Table 14: Summary of Project Details – Reducing Poverty by Linking Small or Medium sized Enterprises to Export Markets

Status and duration	Duration: Feb 2004 to Dec 2008, initiated in 2004.
Beneficiaries	Four community organisations in three districts
Coverage/Location	Kenya
Budget (Donor)	USD 169,950 for 2004 (UNDP), only initial year activities
Major objectives	Linking disadvantaged communities to export markets through a direct involvement in export - linked activities.
Project results	Under early implementation stages. There are several useful lessons to be learnt about selection of products, communities and sequencing of activities from the EPRP experiences in other countries (China, India, Brazil, Vietnam), as well as some sector projects implemented in Kenya, which may have an impact on the project design as it stands presently.

11. Capacity building for garment exporters to meet 2005 challenges

This project dealt with the preparation of a study and its dissemination before the stakeholders. Therefore, its evaluation differs from those of other projects in this evaluation.

The project was designed to assist the garment industries of selected countries (i.e. Kenya, Madagascar, Cuba and El Salvador) to understand the challenges of the 2005 quota phase out. It sought to build capacity to develop appropriate responses to these challenges in the form of a sector action plan, which the industry, in partnership with the government, could implement to prepare for 2005.

The objective in Kenya was to enable an action plan that would ensure that the garment factories operating in Kenya would continue to operate profitably, and that new ones would be attracted to invest in Kenya, after the phasing out of quotas on textiles and clothing, as per the WTO Agreement on Textiles and Clothing.

According to ITC officials connected with the project, the scope of the project was confined to the analysis of the apparel segment to lead to a roadmap for competitiveness in the segment under the post Multi-Fiber Agreement (MFA) scenario. However, the stakeholders met by the Evaluation referred to the issues differently, emphasising the poor state of the domestic textile industry as a key issue for the sector.

The task before the industry stakeholders was seen as designing a medium and long-term roadmap to ensure that the country produces textiles/garments that are priced competitively and with export quality. The specific focus in the sector was to enable Kenya to cultivate cotton so as to guarantee the supply of raw materials to textile mills, ensure the garment factories operating in the country continue to operate profitably, and new ones are attracted to invest in.

Other objectives were: to enhance capacity of training institutions to advise garment manufacturers on market trends, fashion changes, pricing, and to give access to expatriate knowledge to local industry when required; and finally to enhance capacity of the KAM to offer necessary trade information and advise on policy and business environment issues.

KAM, as the representative of the textile industry had set up the Kenya Apparel Manufacturers Association (KAMEA) in 2001, to monitor exports under AGOA and address any changes required on policy, regulatory, and production environment issues to relevant authorities. The KAMEA office has been mandated by the Government to certify that exports of textiles/garments to the US under AGOA meet all the requirements. Besides, KAM has the requisite human resources to implement the roadmap.

ITC prepared a study outlining the opportunities and constraints in Kenya's apparel industry, which was placed before the industry stakeholders at a seminar in December 2003. The industry stakeholders elaborated detailed building blocks for a sector strategy for clothing during the ITC-guided workshop.

Table 15: Summary of Project Details – Capacity Building for Garment Exporters to Meet 2005 Challenges

Status and duration	March 2003 to June 2004; Completed
Beneficiaries	Kenya Association of Manufacturers (KAM) Garment manufacturing enterprises
Coverage/Location	Four countries, including Kenya
Budget (Donor)	USD 94,758, Global Trust Fund (Window I)
Major objectives	Expected Outcomes: Assisting garment industries to understand the 2005 quota phase out, and building capacity to develop appropriate responses to these challenges.
Project results	Value chain analysis of the apparel segment providing competitiveness assessments of Kenya. Dissemination of findings to enterprises in the sector. Inputs for a roadmap/strategy for competitiveness in the post MFA scenario.

ITC and stakeholder perceptions differed as to the scope and therefore eventual outcomes targeted from the project. Stakeholders maintained that there is a need for end-to end indigenisation of the cotton fibre-textile-garment value chain, which is much broader than the ITC-defined scope that was restricted to the apparel segment.

The consultants agree with the need to look at a sector strategy approach for Kenya, especially considering the trade-investment linkages with neighbouring LDCs having access to key markets. However, the end-to-end indigenisation proffered by KAM is not considered feasible in today's context, and Kenya should only integrate into segments where it is globally competitive.

Performance Regarding the Five Evaluation Criteria

This section summarises the views of the Evaluation as well as various stakeholders: national partner institutions, donor community, beneficiary enterprises and individuals, and non-partnering TSIs met in the course of the field mission. In Kenya, these views came from the following organisations: EPC, CBIK, Ministry of Trade and Industry, DFID, KAM, KEPSA, ALMACO, Ministry of Agriculture, HCDA, as well as national experts and participants in various ITC projects.

For the purposes of aggregation at the country level and also at the global level, the Evaluation has used a scale of 1 to 4 to place the ratings for each project. While the aggregate ratings for the country level are placed on the five evaluation criteria – relevance, efficiency, effectiveness, impact and outreach/sustainability. It may be noted that these scores are perceptual, based on the information and assessments provided by various stakeholders, as well as the observations by the evaluators themselves from the perusal of documents, field visits and surrogate comparisons.

The project ratings have been aggregated to national ratings to enable quantitative comparative evaluation across different countries. However, there are some limitations in the methodology in aggregating the ratings of individual projects into an overall country rating on the five evaluation criteria. These limitations are:

- Aggregation based on a simple arithmetic average will not capture the fact that all projects have different budgets, and may involve different levels and types of skills and activities, besides different ground conditions.
- Averaging would represent a middling of scores, which defeats the purpose of the 4-point Likert Scale. This forces a sharper conclusion on part of the evaluators, and would need to be substantiated very specifically.
- Median scores will be more representative of the performance in the country setting, but it will not capture the differences in project level scores, which may be a result of several issues beyond ITC's control.

Therefore, for the aggregate score at the country level, the evaluators have used a judgmental weighted score, which in their opinion best sums up the performance of ITC at national level on each of the evaluation criteria. This is supported by the fact that ITC works with the same counterparts in several projects, and thus, the channels used by ITC are common to several projects.

This judgmental rating seeks to capture ITC's performance as delivered through these channels and intermediaries, as this is the basic approach to ITC's transfer of technical assistance. In that sense, the overall rating will reveal the levels of success across various projects, which collectively shape the transformation being achieved through ITC interventions at the country level. Therefore, this subjective score best represents and translates the evaluator's descriptions appearing in the evaluation.

Relevance

Rating: 3 (on a scale of 1 to 4)

There are practically no country-specific ITC projects operational in Kenya, and therefore, by and large, the evaluation highlights the performance in Kenya of several ITC multi-country programmes.

In general, ITC interventions in Kenya were reported to be relevant in terms of the priority needs and problems to be addressed, and in terms of the projects selected to address these needs. The larger projects in the country, notably JITAP, addressed capacity development needs of apex institutions to understand and respond to the MTS. JITAP also assisted the country in preparing a National Export Strategy with a prioritisation among sectors.

The thrust of ITC technical assistance is on developing capacities of its partner institutions in order to have a multiplier effect through outreach and also enable effective policy making in the international trade context. This comes across as a key theme in most of ITC projects in Kenya as well. In this regard, projects like JITAP, SSTP and EPRP are highly relevant to Kenya's needs in the external sector.

Respondents, especially the national counterparts, submitted that activities under JITAP were highly relevant. They addressed the principal needs of trade negotiators in implementing the WTO agreements, including setting up the country's nominated national enquiry points under various WTO requirements and disseminating the trade requirements among the principal stakeholder groups. They also developed the sector-level export strategies and a national export strategy for Kenya; and identified the important trade constraints that would need to be overcome in implementing these strategies.

The SSTP intervention is highly relevant to Kenya, considering that: (a) Kenya is home to the regional offices of several aid procurement organisations, and can facilitate the increased integration of local suppliers to the regional procurement system, and (b) services is a large sector in Kenya's export basket, and is a priority sector for the National Export Strategy as well, with an increasing regional dimension emerging from cross-border (treaty-shopping) investment opportunities in East Africa.

Similarly, the study of the garment sector and challenges in the post-quota scenario was highly relevant to Kenya in preparing a suitable response to the quota-free arrangements from 2005.

However, according to information provided by stakeholders, some projects, most notably export of organic products and export development of cashew nuts, were not within the products identified under the National Export Strategy, and did not complement the activities and skills transferred in other main programmes.

While the linkage between organic production and income enhancement is irrefutable, the relevance of the products selected for Kenya namely, spices and honey, is debatable in view of their marginal potential contribution to export; compared with the other big-ticket items like coffee, tea and horticulture, in which organic potential is considerably larger. In light of the sectors identified for the National Export Strategy and also of the low recall by the apex body in charge of the sectors, the relevance of this project is considered to be low. The design of activities in the project for development of organic products appears to have been done with little or no involvement of the apex bodies in horticulture; and also in isolation of other projects dealing with export led proverty reduction. To that extent, they were less relevant to Kenya than other projects in the evaluation.

Similarly, Kenya is a marginal player in the cashew sector, and its cashew processing industry had enormous financial and other supply side constraints, under which a purely market exposure focus assumes much less relevance than other aspects. While ITC interventions for the development of market exposure and building linkages with final buyers are relevant, Kenya is a marginal producer of cashew nut. Kenya also does not have a competitive processing sector at present and the export policy too does not discourage raw nut exports. Therefore, the project was not as relevant to Kenya as to other exporting countries, given the present state of its cashew-processing sector, which has larger supply-side issues to be addressed before considering market linkages. Cashew nut is also not in the priority sectors identified in the National Export Strategy document. The non-participation in the second event is testimony to the limited relevance of the project.

The findings in Kenya also bring out the limitations in adapting multi-country projects in countries having different levels of (export) readiness for a given product/sector, and also having different ground conditions, which may require considerable customisation that is not practicable in multicountry projects.

Efficiency
Rating: 2-3 (on a scale of 1 to 4)

In Kenya, ITC works with more than one national partner, based on specific advantages offered by each partner, which improves the delivery of services. ITC enjoys a good reputation among stakeholders as an efficient provider of its services.

ITC is an efficient provider of its services and this is most visible in the smooth execution of large programmes like JITAP. However, activities in some projects have neither been delivered to targets nor involved important stakeholders (especially sector bodies) to the extent necessary, in the project preparation and in execution stages. This has resulted in low ownership of activities in some projects and inadequate co-operation with project activities.

Under JITAP, all ITC outputs were provided according to the agreed timetable and there were no delays in the implementation of the programme. However, according to details provided by the national counterpart, activities under Cluster 14 and 15 have not been delivered to target, on account of various constraints, including the absence of an enabling policy and regulatory framework. Also, there has been delay in the sanction of JITAP II funds, which have impeded follow up actions on the sector studies undertaken in JITAP I. Yet, considering the complex and multi-disciplinary scope of JITAP, ITC can be considered to have delivered outputs efficiently.

The consultants consider the SSTP events to be organised highly efficiently, and concur with the observations of participants as to the high quality of surveys and preparations for the events. In SSTP events, ITC has a unique format for the SSTP, which makes it easy to administer the contact schedules for the buyer-seller meetings. The location of a large number of buyer agencies in Kenya also enabled a second buyer-seller event to be organised without the support of ITC.

In case of the Challenges for the Garment Exports programme, the partner institution KAM was highly appreciative of the ITC study report as well as of the quality of the workshop by ITC, which was attended by all the important stakeholders in the sector.

However, in case of the organic products programme, poor recall of the project could not enable meaningful discussions on the evaluation. But the statutory body concerned with the sector, highlighted concerns as to the lack of co-ordination of ITC technical inputs with other important stakeholders. The use of electronic communications including the Internet being referred to in the project document are not visible in Kenya, as no website could be found on organic beekeeping practices in Kenya (May-June 2004 web search).

The project also does not seem to have co-ordinated the timing of its inputs with the forthcoming EPRP project in the Rift Valley, in which beekeeping has been identified as an income-enhancing activity. The exchange of information and the co-ordination between the two projects will be important for future events to use the inputs – training and marketing missions – optimally.

As for the e-Trade Bridge for SME's there was a serious discrepancy between the information provided by the beneficiary and ITC on actions already undertaken. The beneficiary was not even aware that there would be no further activities in Kenya and that the project has been completed.

Cost-efficiencies

Cost-efficiencies have been difficult to measure at the level of each project, given the present structure of the project information management by ITC. Because most projects are multi-country projects, an accurate apportionment of activities and outputs at the level of each country is currently not possible in most projects. However, in some projects, cost efficiency comparisons were possible through surrogate estimates, which indicate that ITC is on par in some while below par in other projects.

In JITAP, no costs were budgeted for training of private sector participants. However, a training module was developed for the private sector (customs agents, shipping companies, etc) at the initiative of the national counterpart, using the knowledge and training imparted to officials. This has considerably enlarged the reach of the programme beyond the planned levels.

There is no comparable benchmark for the SSTP, given its unique design. The standard deliverable outputs in the SSTP format are trade flow analyses, demand supply surveys and finally the organisation of buyer-seller meetings. However, several inputs from ITC go into the delivery of these outputs, resulting in high Geneva-located costs.

The actual allocations for the surveys and the meetings account for less than 30% of the overall budget. Given that SSTP events are repetitive and several such events have been held in the participant countries, local partners should be able to arrange similar events with considerably lower budgets than at present.

ITC documents indicate that the costs of holding the events themselves are below USD 10,000 per event, with a participation of 50-100 enterprises. This is very much in line with events organised by chambers of commerce in several developing countries.

In the cashew nut development project too, the costs expended for each country are comparable to other similar settings. ITC project documents indicate that there were five beneficiary countries (though 10 countries participated in events according to the project officer) in the programme. Close to USD 85,000 were expended in the programme, with outputs in the form of a supply study and activities relating to a regional Round Table. The national participant from Kenya was from the Export Promotion Council.

The apportioned costs for each country can be estimated as USD 17,000 (USD 8,500 assuming 10 countries). Assuming a notional cost of USD 2,500 for the country study (basis SSTP standards) and USD 2,000 for a one-time participation in the Round Table, the comparable value of outputs, excluding ITC internal costs is comparable to the apportioned costs per country.

The activities in the Garment Export Challenges project too are considered to be cost efficient. According to ITC information, Kenya-related costs were estimated to be nearly USD 20,000 out of the total project outlay of close to USD 95,000. The outputs from the same include a detailed report of the value chain analysis of the sector and inputs to a national strategy for the sector. Given the highly qualitative nature of the products/services, comparisons are made with competitiveness assessment studies by international firms like Gherzi Eastern, Switzerland, specialised in this sector. Gherzi Eastern is known to have assisted the Indian textile/clothing sector in a similar manner, with an engagement fee close to USD 250,000 spanning two years.

However, cost-efficiencies in the organic product development project indicate that the average apportioned cost per country can be estimated at nearly USD 100,000 over three years, which appear considerably higher than estimates derived using surrogates for a similar scope of activities (USD 13,500).

Cost-efficiencies for the multi-country organic product development project could not be ascertained accurately. Based on the project document, eight countries are stated to be beneficiaries in the programme, therefore the average apportioned cost per country can be estimated at nearly USD 100,000 over three years.

However, some benchmarks are available from other sources including ITC projects in other countries, as to the costs of training, exposure visits and preparations for certification, etc.:

- Cost of supply surveys: USD 2,500 (SSTP budgets for country surveys).
- Trip to Europe, three days: USD 2,000/head (USD 1,200 economy airfare, USD 200/d costs).
- Certification costs (EU accredited national bodies): USD 1,500/acre per zone (EPRP, India).
- International consultant outage rates: USD 1,000/diem (Organic certification experts).

Based on the above, for one training programme in Kenya, the cost of deliveries should be in the region of USD 15,000 assuming three days of training, three persons going on one market exposure visit, and one production zone to be inspected for initial certification. Because no costs are assumed to have been incurred toward certification, the programme cost can be estimated at USD 13,500 per country. This does not include any Geneva-based preparatory costs and the apportioned costs of ITC staff working on the project.

Based on the above comparisons of cost apportionments and surrogate estimates for activities relating to Kenya, there appears to be a considerable difference in estimates of costs attributable to the activities. This indicates that either a large share of costs is Geneva-based, or the costs of various activities in the project is substantially higher than the comparable estimates.

Estimating cost-efficiencies is essential to monitoring and evaluation, and especially to conduct comparisons across countries. It would therefore be important for ITC to maintain and publish detailed breakups of country-wise activities, inputs, costs and outputs for all multi-country projects.

Effectiveness

Rating: 2 (on a scale of 1 to 4)

In most of the projects surveyed, ITC has transferred knowledge, skills and capacities to the implementation partners to deal with their specific challenges identified in the projects. The implementation partners in Kenya have benefited considerably from the partnership with ITC through the transfer of knowledge and skills, and this has a rub-off effect on their ability to co-ordinate and deliver trade related technical assistance in the country.

JITAP effectively improved the capacity of the apex bodies connected with the trade negotiations in responding to the requirements under WTO. Kenya is recognised as East Africa's voice in the multilateral forum, and according to the Ministry of Trade and Industry, this is in part due to the successful transfer of skills under JITAP. The successful participation of the private sector in the customs-training programme facilitated Kenya in adapting Customs valuation procedures in accordance with WTO.

However, the results at the level of project beneficiaries are uneven, or are indeterminate in several projects. Effectiveness has also been affected by the (less than harmonious) relationships among implementation partners and key stakeholders, some times based on personality issues.

In JITAP, the enhancement of capabilities is limited to a very small number of persons, who have to deal with an overload of negotiations: WTO, Environment Protection Agency (EPA), AGOA, and other regional agreements as well. The percolation of these skills to a larger base of resource persons is primarily the responsibility of the beneficiary and not ITC, and this is not being given due attention, according to some stakeholders.

However, inter-agency co-ordination and relationships among ITC implementation partners are not to the desired levels, resulting in varying levels of contribution to project interventions. This is most visible in the post-project developments in JITAP Customs module, in the preparation of National Export Strategy document. The latter has not been fully owned by several agencies and in the Capacity Building for Garment Exporters, in which the EPC did not co-operate and claims not to have received even a copy of the report.

Skills have probably not been used optimally by the beneficiaries in some projects, thus reducing the effectiveness of the various interventions. As a result, project-level results are not perceptible in Kenya from interventions such as Organic product development, in which the lack of co-ordination of technical inputs with other important stakeholders was a major inadequacy. Given that the project deals with organic production, the Evaluation considered it important to meet the HCDA, which has the mandate over the entire range of horticulture. It was understood only after meeting the HCDA that they had no role in the project, and it was ICIPE that could probably have been involved in the project. The Evaluation, however, could not meet ICIPE given the short notice and tight schedules. There is no recall of the benefits from the project by the officials met at the HCDA. The HCDA felt that the major challenges were not in teaching farmers, but in procuring the funds for certification, which is beyond the reach of small farmers, and beyond the capacity of the institutions as well.

However, according to ALMACO, the co-ordinator of the EPRP project, which includes honey as one of the target products, the training provided under this project to ICIPE, would be useful in the EPRP project. It is expected that the training experience and market knowledge would be utilised fruitfully at the appropriate stage.

One positive outcome of SSTP in Kenya has been the transfer of skills in organising buyer-seller events, as shown in the independent handling of the second meeting in 2003 without ITC assistance. The exposure to the events of Bridges Beyond Borders and the promotion of service sector exports in 2001 and 2003, have been useful inputs for the preparation of Kenya's National Export Strategy, which includes two service sectors – tourism and ICT – as thrust areas for development. Kenya also proposes to undertake a services export strategy under JITAP II, subject to availability of funds.

Yet despite the extensive preparations in the drawing of participants and the good targeting of participants, business results from the events have been limited, and many participants could neither increase their business nor obtain registrations with a large number of participating institutions. However, the experience of participating in such events has improved knowledge of the buying procedures of buyers and assisted in customising their marketing approach/practices to the requirement of specific buyers.

Similarly, in the project pertaining to cashew nut development, there has not been an effective addressing of the more fundamental aspects of supply side issues and improving the state of Kenya's processing sector (see detailed analysis of the project in the annexes). The objective being to enhance exports of value-added products; a sector approach would have probably brought greater benefits. Kenya's participation at the events could have been used in prospecting foreign investors in processing factories, and for revitalising the national cashew nut factories.

The KAM expects the roadmap to enhance Kenya's competitiveness of cotton fabrics through a vertical integration of the production chain and thus revive the textile sector in the country. The Evaluation express concern over the 'total indigenisation' concept that seems to have gripped the KAM, which was not only not in line with the focus of the ITC project (ITC did not look at the entire value chain from cotton to clothing and considered even the clothing value chain complicated in itself!). ITC also has concerns over Kenya's competitiveness across various segments – fibre, fabric and apparel.

Therefore, a sector strategy as explained by KAM that seeks such vertical integration, may not bring the desired result, unlesscorroborated through value-chain analysis and establishing those steps in the value chain in which Kenya can be competitive with respect to benchmark competitors. There would be little sense in expanding cotton cultivation without an assessment of the product suitability (long fibre or short fibre), and competitiveness of factory gate prices of Kenyan cotton compared to key competitors. It would be desirable to have comparisons with benchmark competitors in fibre, yarn, fabric and apparel to take up the priorities for indigenisation.

Impact
Rating: 1-2 (on a scale of 1 to 4)

There are several external factors that affect the potential impact of ITC's interventions for beneficiaries. As a result, the absence of visible impacts may not be entirely attributable to ITC's performance.

Impacts will take some time to manifest in a number of projects curently in various stages of implementation. However, in some projects, the desired impacts may not materialise due to factors such as inappropriate ground conditions, poor timing of inputs and a lack of co-ordination among various stakeholders in multidisciplinary projects.

JITAP's main impact needs to be considered, based on the likely results of Kenya's export strategy. Stakeholders submit that Kenya now has a clear roadmap and strategy for using trade/exports as an engine of growth and poverty reduction, and this has been possible largely because of the work under JITAP. The National Export Strategy has been formulated and endorsed by the government, as well as the World Bank and therefore, funding for the strategy is likely to come through shortly. If the strategy is implemented, the impact of the project on the country's export performance will be significant.

However, the Evaluation observes that the impact of the enhanced capacities to participate in trade negotiations depends directly on the market access challenges faced by members. The benefits from market access and also the sector strategies will ensue only if there are competitive advantages in the sectors identified, especially in productivity adjusted factor costs, infrastructure reliability, human resources and effective marketing linkages. To address these effectively, there needs to be supporting sector-specific interventions that improve Kenya's competitiveness in the target markets.

In JITAP, Kenya's inability and lack of political will to put in systems to effectively implement the customs valuation system has already neutralised some of the advantages created under the JITAP, and the learnings have not been used effectively, despite a good provision of inputs and resources by ITC. A system of appeals has not been put in practice. Even though there is an Act for the Appellate Tribunal on paper, the appellate members have never met and adjudicated on cases. As a result, there is a reversal to the older arbitrary system of valuation, which is non-transparent and causes revenue leakages as well as uncertainties.

In case of the SSTP, especially in case of the 'Buying for Africa from Africa' programme, it must be noted that aid procurement is a complex process and will require collective representations by suppliers and standardisation of procurement specifications among buyers, in order for the event to have any impact. This role has not been performed by any entity in the programme.

Stakeholders involved in the aid procurement project (which had two events in Kenya and also a supporting programme for the TSIs) did not expect to see a major impact from the aid procurement programme, and also did not seem to have a high opinion of the aid procurement system. They cited the following aspects:

- Aid agencies do not follow a transparent procurement process.
- It is very difficult for new suppliers to get into the system.
- Traders often get orders for products that manufacturers themselves are unable to procure directly, which leads to exploitation by traders.
- Aid buying is an *ad hoc* process and it is very difficult to prepare systematically for this segment.

However, the project has created the conditions for prospective suppliers to form an alliance to represent collectively before the procurement organisations; and such an alliance is under exploration (partly a result of discussions between end-users and consultants).

The impact of the EPRP intervention is likely only if a large-scale beekeeping programme follows from the pilot-scale project currently under implementation. Also, the scaling up requires the active endorsement and participation of apex bodies connected with agriculture, horticulture and rural development; in order to support further training programmes in other areas/products. The present level of involvement of these bodies in organic development programmes does not indicate that such scaling up measures are being considered.

The development of capacities of the CBIK can add a whole range of ITC tools and services to its portfolio, and some of these are unique products. These services are highly relevant to SMEs and can result in improved awareness/capacities with regard to competitiveness related aspects. However, training alone is insufficient to enhance the competitiveness of enterprises, and the other dimensions are not within the scope of this project. On the other hand, the e-Trade Bridge is unlikely to have any impact, given that the project does not have further funds for Kenya, especially to deliver training to enhance e-readiness.

The implementation of the roadmap for textiles/garment sector will enable a large-scale employment creation in both textiles and apparel sectors. The impact of the project revolves around the formulation and subsequently implementation of the roadmap for Kenya's textiles sector, which involves several factors outside the scope of ITC and even the KAM. However, based on the discrepancies pointed out between ITC and stakeholder perceptions of the scope of the interventions, and also the Evaluation's concerns on the feasibility of the approach outlined by KAM, the impact of the study on the formulation of a practical and workable roadmap appears limited.

Other projects are likely to have little impact given various factors:
Adverse conditions on the supply side, as in the cashew nut project, where there is no raw material base or processing capacity to meet the identified market demands.
Absence of a sector programme or government policy thrust to build on the areas considered in the projects (organic products development).
Premature closure of projects resulting in no scope for use of activities already undertaken (e-Trade Bridge was closed due to lack of funds for follow up phases).

Sustainability and Outreach

Rating: 1 (on a scale of 1 to 4)

The sustainability of ITC projects in Kenya is dependent on institutional, policy and financial aspects.

Institutional aspects

A major part of capacity development under ITC projects gets vested in a few key individuals in beneficiary countries/institutions. If these capacities do not get institutionalised, the sustainability of the interventions is compromised. For instance, the outputs and results from JITAP are in the form of enhanced skills and capacities in persons and institutions that play a pivotal role in preparing Kenya for the multilateral trading system. The sustainability would therefore be dependent on further percolation of these skills and capacities among the ranks in these apex bodies, through further programmes and internal transfer of skills (trainer-training programmes).

The development of cashew exports needs the setting up of an apex body to address the various issues that impede production and create awareness of market opportunities for export of cashew nut from Kenya. A sector-specific strategy is necessary to sustain cashew nut cultivation and processing. In the absence of these elements, the outreach is also likely to be limited.

Policy aspects

The sustainability of ITC projects in Kenya depends on the ability of the government to development of sectoral policies and strategies to pursue the opportunities identified in the strategy documents, and adapting the lessons from pilot projects developed with ITC assistance, on a larger, sector or regional scale.

The sustainability of some projects such as organic production will depend on the establishment of long-time procurement contracts and product certification. These costs can be considerably high for small and marginal farmers and therefore, for the project to be effective, the projects need to attain sufficient scale to absorb these costs on their own. Similarly, developing a meaningful organic honey export from Kenya is possible only after a sizeable production is in place; and organic certification has been obtained for a growing area. The outreach of the project is likely to be limited, as the demand for organic products is still small and cannot support a large increase in supplies based on the successful market entry from pilot projects.

Similarly, the long-term benefits from the sector strategies will ensue only if there are sector development programmes and strategic investments (development of product export clusters, Foreign Direct Investment (FDI) zones, WTO-compliant export incentives, etc.), in order to concentrate the competitive advantages effectively.

Financial aspects

Most projects surveyed in the country suffer on sustainability on account of the government's inability to allocate adequate budgetary resources in these areas.

Though the partner institutions have gained sufficient experience under programmes like JITAP, SSTP, etc., funding from internal sources or user fees remains a key issue in organising repeat events. National partners have expressed inability to arrange finances for the events on their own. Unless participants are able to pay for all costs associated with the events, the SSTP programme is not sustainable.

The CBIK strategy to become financially self-sufficient requires the addition of new service capabilities – market analysis studies, consultancy services, match making, etc. However, this would also require addition of especially skilled staff, which needs additional resources.

For sustainability of interventions, Kenya should increasingly rely on its own internal (budgetary) resources for implementing its sector/national export strategies, though support from external donors and multilateral agencies is inevitable in the short-term. Therefore, continued donor support, good donor co-ordination and actual implementation of the National Export Strategy are critical for the sustainability of the intervention. The World Bank's endorsement of Kenya's export strategy as a bankable document, as indicated by ITC national counterpart, is a good indicator of sustainability in the short-term.

The overall political climate also impacts the availability of external support to Kenya. The withdrawal of donors from Kenya in the past, underscores the importance of political stability in the continuance of development related technical assistance.

Table 16: Summary of Project-wise Ratings

Project group	Relevance	Efficiency	Effectiveness	Impact	Sustainability and Outreach
JITAP	3	3	3	2	2
Organic Product Export Development	2	1	n.a.	1	1
SSTP (4 projects)	3	3	2	2	2
Trade Expansion in Cashew nut	2	3	1	1	1
Market Information Systems	3	n.a	n.a	n.a	n.a
E-Trade Bridge	3	2	n.a.	1	1
Export Led Poverty Reduction	3	n.a	n.a	n.a	n.a
Capacity Building for Garment Exporters	4	4	2	2	n.a.
Overall	3	2-3	2	1-2	1

Score on a scale of 1-4, where 1: Highly unsatisfactory and 4: Highly satisfactory

Analysis of Strengths, Weakensses, Opportunities and Threats

Table 17: Sthrengths, Weaknesses, Opportunities and Threaths Analysis

Strengths: Internal (ITC services)	Weaknesses
• Unique position as a specialist implementation organisation in trade/export development and SME competitiveness. • Wide portfolio of practical services/products/sectors of relevance to SMEs. • Multi-country experience in several sectors.	• Poor customisation of interventions (lack of sector-specific, country- level programmes). • Inadequate co-operation among ITC partner TSIs and other relevant agencies in Kenya. • Donors had suspended activities in Kenya in recent years. • Inadequate visibility and usage of products and services compared to Kenya's size and potential.
Opportunities: External environment (TRTA) and country needs	Barriers or threats to ITC performance:
• Support sector-specific, country-specific projects for Kenya. • Enhance co-operation at the country level with donors implementing related interventions (fewer missed opportunities). • Expand partnerships with Kenya's TSIs to increase reach of ITC tools and products for SMEs. • Facilitate a common monitoring unit (national level) for all TRTA within principal sectors.	• Economic growth has been unstable in Kenya and per capita GDP has been declining in recent years. • Challenges from East African LDCs in Kenya's principal export products and markets, with better market access terms. • Political instability (enactment of the new Constitution is still elusive).

ITC's key strengths are its diverse range of competencies focusing on export development at the sector as well as enterprise level, and market knowledge spanning several countries and sectors. However, there is an almost total absence of country specific projects tailored to meet Kenya's most important priorities in export development. Results in Kenya have also been affected by the withdrawal of donors under difficult political conditions in recent years and to an extent, the lack of harmonious relationships among ITC partner TSIs. Also, country-specific adaptation of multi-country projects remains weak, as seen in several cases.

While its trade profile is similar to other East African countries, Kenya faces challenges in terms of its non LDC status, which affects its market access opportunities relative to the LDC members of its trade groupings.

Under these conditions, ITC should examine opportunities in Kenya that focus on sector development in line with the National Export Strategy, and increase country-level co-ordination with donors in order to channel funds more effectively, given the presence of several donors in Kenya.

1.6 Conclusions and Recommendations for Future Action

Conclusions

Perceptions about ITC

Almost all TSIs and several beneficiaries contacted in the evaluation have a good opinion about the quality and efficiency of ITC inputs. ITC interventions are perceived to be practical and business-oriented. However, there has been some criticism of ITC involving national partners on a sporadic basis and often at short notice, which impacts their own contribution and at times even availability to support ITC activities in the country. Also, some sector level bodies mentioned having been left out in the needs assessment and project design in sector specific interventions.

The overall awareness about the full range of ITC programmes and services is quite low, outside the partnering TSIs. Many of the donors active in the country are unaware of specific activities/projects undertaken by ITC in Kenya.

Scale of presence

Although ITC has had an intensive engagement in Kenya in terms of the number and variety of projects, the size and scale of these interventions has been very small compared to the dimensions of the problem being addressed in these interventions. While this is primarily because of general donor funding constraints, an important aspect has been the withdrawal, in the late 1990s, of the donor community from Kenya, under politically sensitive conditions. Therefore, the availability of funding for country-specific projects would also have been a specific constraint for Kenya. As a result, technical assistance in Kenya appears to have been spread thinly under multi-country projects, covering a large footprint of sectors and beneficiaries, with several isolated, short-duration activities in each project.

Performance

ITC's projects/interventions in Kenya, while being relevant and despite ITC being perceived as a competent provider of technical assistance, have not fared well in terms of effectiveness, impact and outreach/sustainability. With the exception of JITAP, project-level results have been difficult to establish for all other projects. Even in JITAP, the beneficiary has not built on the improvements attained as a result of the customs-training module. In the global and multi-country projects (SSTP, Organic products and Cashew nut development) evaluated, local partners did not have sufficient involvement and 'ownership' in the project and there was no post project follow-up or feedback; even in the case of the Buying from Africa for Africa project, under which the local partner undertook a second event at its own initiative.

Partnerships

ITC has partnered with both private and government bodies in Kenya, creating a range of partner experiences, ranging from a highly satisfactory partnership with a private firm to a lukewarm partnership of late, with the export promotion organisation. The industry associations in Kenya have a good relationship and active contact with ITC, especially in the use of publications; and specific projects such as in the case of KAM. However, a more active engagement with apex industry bodies could improve the effectiveness of global products and services, such as World Trade Net, Business Advisory Services, E-Trade, International Purchasing and Supply Management, Packaging Information Kit, PACKit, etc.

ITC has not been active with sector apex bodies in Kenya; unlike in some other countries and this needs to be strengthened in the future, especially in respect of sectors like horticulture, which hold considerable export potential.

External challenges

The Evaluation would like to draw attention to an important aspect of Kenya's international trade competitiveness, which is really the object of ITC's engagement with Kenya.

Kenya faces the following challenges in its international setting:

- Kenya's East African neighbours, Uganda and Tanzania, compete with it in several goods on the global market, and as LDCs, have a more favourable access to Canada, the EU and US;
- There is a sizeable outbound investment (besides FDI diversion in some sectors benefiting from LDC preferential treaties, according to respondents met in the study) from Kenya into Uganda and increasingly to Tanzania, seeking treaty shopping advantages in these countries, thus making these countries the recipients of resources and skills at the expense of Kenya's own development; and
- There are enormous external challenges to enterprise competitiveness in Kenya, which are outside the scope of ITC's direct influence; the most important being supply side constraints, including the accessibility and cost of development finance for micro enterprises and SMEs.

Recommendations

The following recommendations are made to improve the overall effectiveness and impact of technical assistance in the country, including ITC services:

Improving Performance

Strengthen the sectoral approach using a combination of ITC tools and services to develop multidisciplinary competences in the thrust sectors identified in the National Export Development Strategy. The Government of Kenya is moving toward a SWAP in all its development assistance.

Involve related sector specific organisations in the project design and affix specific responsibilities among partner TSIs for country-level actions, even in multi-country projects.

Review the mix of projects to enhance impact at the sector level, by bunching delivery of several types of projects to the same sectors and beneficiary groups (sectors).

Partnerships

Increase the reach and penetration of products and services by adding more TSIs as partners in delivering SME-focused services, tools and products. There have been internal challenges in some organisations, which have had some impact on the delivery of technical assistance; and hence the outcomes from some interventions. Given the wide range of projects being undertaken by ITC, it is perhaps necessary to induct multiple partners with earmarked responsibilities, rather than having one local partner in some complex projects.

The apex business bodies have sufficient outreach capacities that are not being utilised efficiently. It would be immensely useful to ensure active partnerships among these bodies for wider outreach/dissemination and the delivery of enterprise-specific services. ITC should consider delivering some enterprise capacity development programmes through these business bodies.

Improve awareness of ITC products and services at the country level with donors, and increase communications between country desk officers and donor offices in the country, so as to avoid overlaps and increase co-ordinated delivery of services.

With the introduction of SWAPs by donors, ITC should consider larger-format programmes in synergy with the funding priorities of donors active in Kenya, in order to enhance service delivery in the country through national programmes.

Monitoring and follow up

There is insufficient documentation of all trade-related assistance in the country at the level of beneficiary and partner organisations. It would be useful for ITC to initiate a national monitoring report of all trade related technical assistance activities involving ITC and perhaps other overlapping donor projects, to start a practice of documentation; and eventually exchange of information among the donor community.

ITC's own activity reports describe outputs under various projects, but it would be useful to have a country-wise break up of activities in each project. This should be done jointly with the principal partnering TSI. Once this system is in place, feedback and monitoring activities could be put into operation in the next stages.

The regional trade-investment context

Major needs in Kenya's TRTA context are the development of competitive advantages through technology, productivity and infrastructure efficiencies; at least in sectors in which the tariff and market access benefits (especially under AGOA) are being lost to neighbouring countries. This might require further examination under the National Export Strategy, of the following issues:

- Complementarities in production chains (textiles in Kenya, apparel in Tanzania);
- Productivity benchmarks with other external competitors;
- Revitalisation of special investment and export zones, and the provision of world class investor facilities at regionally competitive costs; and
- Export-linked credit arrangements.

It would be useful for ITC to re-examine the relevance of its interventions in Kenya from these angles in important export-intensive sectors.

Annexes

Annex 1: Country Trade and Development Context

Over the last 10 years the Kenyan Government has embarked on structural and macroeconomic reforms, including in trade, to establish a more growth-conducive economic environment. The transition from import-substitution to outward-oriented policies has made some progress. Macroeconomic stabilisation appears to be taking hold. However, a rising trade deficit and lagging structural reforms depress investor confidence in the country.

After the elections of December 2002, Kenya emerged with a new government, which has made clear its determination to tackle the problems that had stunted Kenya's economic growth (about 1% for the past few years), e.g. rampant corruption within the government, a complete lack of confidence in the judiciary, poor infrastructure, (the port, roads and railways). The new President has committed his government to a zero tolerance for corruption and an enabling environment to stimulate domestic and foreign investment. However, the government lacks the crucial two-thirds majority required to make amendments to the constitution.

Recent Economic Performance

GDP growth has been nearly flat in recent years, with a near-zero growth in 2000 and less than 1.5% in 2001 and 2002. There has been a slight improvement since 2002 – a real growth rate of 1.8% was realised in 2003, mainly due to increased activity in the agricultural sector and increased trade. Meanwhile Kenya's population has grown at around 3% per annum, resulting in increased poverty.

The main reasons for poor economic growth over the years have been attributed to suspension of donor funding by multilateral donors in 1993, which resumed briefly in 1994, but were again suspended in 1997. Other reasons include: poor investments and maintenance of physical infrastructure, the El Nino rains from November 1998 to March 1999, which greatly disrupted agriculture production; and high cost of imported raw materials (i.e. manufacturing sector sources on average 75% of its inputs from foreign markets).

Kenya's infrastructure has deteriorated badly over the past few years. Major concerns include poor telecommunication services, badly maintained roads, inadequate and expensive power supply and an inefficient port and railway network.

The most recent factor has been the unprecedented rise in oil prices, resulting in an increase in transport costs, and consequently to a rise in prices of products and services.

The government has identified four pillars on which economic recovery will be founded. These are: (i) pursuing a stable macro-economic framework, (ii) strengthening institutions of governance, (iii) rehabilitation of physical infrastructure and (iv) investing in the human capital of the poor. Focus is on five crosscutting themes, which centre on the financial sector, land administration, environment and natural resources, ICT, and regional development.

Principal Sectors

Agriculture is the second largest sector of the Kenyan economy, after services, accounting for more than 23% of GDP and around 60% of earnings from total merchandise exports, and engaging some 80% of the population for their livelihood. The major crops are maize, rice, wheat, tea, coffee, horticulture, sugarcane and cotton. Kenya also has a diversified livestock base including a small fisheries sector. Adverse weather conditions, organisational problems, weaknesses of infrastructure and the lack of financing have hampered the further development of Kenyan agriculture.

Manufacturing accounts for about 18% of Kenya's GDP. Agri-processing constitutes a major branch of manufacturing, followed by mining/quarrying and textiles. The sector has a relatively high cost structure and its performance has been sluggish in recent years. Kenya's liberalisation reforms have revealed the weaknesses and the lack of external competitiveness of Kenya's manufacturing sector.

Indeed, the already high protection of the sector, enhanced by the rationalisation of the tariff structure and of incentive schemes aimed at promoting exports of local products after transformation, did not prevent the collapse of several firms; particularly in the textiles and clothing industry, which enjoys high tariff protection. A two-phase industrialisation strategy was formulated in 1997 with a view to further increase the value-added content of Kenya's exports of primary products (Phase I ending in 2006), and promoting more capital-intensive industries (Phase II ending in 2020).

The services sector accounts for more than 60% of Kenya's GDP. Transport, tourism, financial services and communications are the main constituents of the sector. The sector has not performed well in recent years; its relatively high-cost structure appears to have imposed a constraint on the development of other sectors of the economy that are highly dependent on basic services, such as transportation, telecommunications, and financial services. State intervention remains present in most of the sub-sectors including in financial services, and reforms in the sector are yet to take hold fully. Additional efforts to create an efficient services sector would appear essential for the further development of the country and to support its new outward-oriented growth strategy.

Under the General Agreement on Trade in Services, Kenya made commitments in telecommunications, financial services, tourism and travel-related services, and transport services. Kenya is a net exporter of services, mainly tourism. However, it would seem to have the potential to export other services, such as financial and transportation services.

Trade Policy Features

Kenya has dismantled its quantitative import restrictions and price controls on major products and the tariff is now the main trade policy instrument. The tariff structure has been rationalised, as have incentive schemes. Several public enterprises have been restructured and the influence of most agricultural boards reduced. Following three devaluations of the Kenyan shilling in 1993, a managed floating exchange rate system was adopted in 1994. These factors contributed to a low rate of foreign direct investment, which in turn has weighed on economic growth. The growth of real GDP, which had been 4.8% in

1995, slowed since the second half of 1996, falling to near-zero levels in 2000, before the recent upturn. Unemployment remained high and the trade balance deteriorated.

Trade Policy

Trade policy formulation is the responsibility of several Ministries, which constitute the Cabinet's Economic Sub-committee, and the Central Bank. Mainly the Ministry of Tourism, Trade and Industry implement trade policy.

Kenya's trade policy objectives include moving towards a more open trade regime, strengthening and increasing overseas market access for Kenyan products, especially processed goods, and further integration into the world economy. These policy objectives have been pursued through unilateral liberalisation, regional and bilateral trade negotiations, in particular within the African region, as well as through participation in the multilateral trading system.

Kenya is a founding member of the WTO; it accords at least Most Favoured Nation (MFN) treatment to all its trading partners. Kenya is a member of the COMESA, the EAC, the African Union and the Inter Governmental Authority on Development. Kenya is a signatory to the Lomé Convention, and a member of the African Economic Community, and has bilateral trade agreements with nearly 30 countries.

These agreements have been used as instruments for promoting trade and improving economic relations between Kenya and these countries.

Trade Policy Instruments

Over the past 10 years, Kenya has reduced the overall level of protection of its economy.

- Tariffs have become Kenya's main trade policy instrument. It has dismantled most non-tariff restrictions, except for moral, health, security and environmental reasons, or under international conventions to which it is a signatory.
- The tariff structure has five bands and the maximum ad valorem rate is 25%. Mixed duties and specific duties apply to a small list, mainly agricultural and petroleum products. In addition to normal tariffs, "suspended" (stand-by) duties ranging up to 70% apply on a few sensitive products.
- The simple average rate of Kenya's non-specific import duties (inclusive of applied suspended duties) is 18%. However, there is a positive escalation of tariff (highly pronounced on products such as textiles, wearing apparel, leather, rubber, petroleum and chemical products), which provides an effective protection higher than the nominal rate.
- A value-added tax of 15% and excise duties ranging up to 135% (the excise duties are mixed or specific on certain products) are levied both on imports and locally produced goods.
- Some 15% of Kenya's tariff lines are bound at ceiling rates ranging from 18% on pharmaceutical goods to 100% on all agricultural products. "Other duties and charges" on all these products are bound at a zero rate.

- Kenya has abolished export duties and taxes on all but a few products (timber, fish, etc.).
- Except for goods and services not available in Kenya and for purchases under projects funded by foreign institutions, most public procurement is made through Kenyan-based firms. Kenya is drafting its legislation on government procurement.
- Kenya has never applied contingency trade remedies (anti-dumping, countervailing and safeguard measures). As it had no specific legislation on safeguard measures. Kenya is introducing/amending some legislation, including on anti-dumping, countervailing and intellectual property, to bring them into conformity with the WTO Agreements.

Investment Policy

Kenya encourages foreign investment and grants national treatment to foreign investors. Most business activities are open to foreigners, except those related to matters of security or health.

Measures taken to enhance investments in the economy include: abolishing export and import licensing, rationalizing and reducing import tariffs, liberalisation of foreign exchange and price controls and partial liberalisation of the capital markets, among other measures.

The Foreign Investments Protection Act (Cap518) guarantees repatriation of capital, after tax profits and remittance of dividends and interests accruing from investing in the country. The Constitution also provides guarantee against expropriation of private property unless for security or public interest and when this happens, fair and prompt compensation is paid.

For business facilitation, the government has set up the IPC, as a one-stop service for foreign investors. IPC processes all applications for new investments and forwards recommendations to the Ministry of Finance and Planning for approval by the Minister. A General Authority license is issued within one month with prior approval from the relevant authority in charge of issuing the license.

In order to attract investment, Kenya offers tax incentives to local and foreign investors, in the form of tax holidays, accelerated depreciation, investment allowances, lower duties on intermediate capital goods, and gradual reduction of corporate tax rates.

Despite these incentives, Kenya has been unable to attract much investment, due to macro economic factors, as well as issues of governance, labour unrest, power shortages, high utility costs and weakened infrastructure. Competition from neighbouring countries (some of which have LDC status) also diverts investments to Kenya on treaty-seeking considerations. Wide discretionary powers in the administration of laws and regulations also increase uncertainties and transaction costs. The Government has taken, and continues to take, steps to address these problems.

Annex 2: ITC projects in the Country/Projects Sampled

The project database of ITC for the period 2001-2004 shows 46 entries for Kenya (full list presented in Table 2 in the main report). However, several of these entries relate to the same projects, with the result that there are only 11 projects active in the country. Based on the sectors, scope and types of services under various projects, the following 11 projects were sampled for country level studies in Kenya.

There are only two country-specific projects and nine multi-country programmes that include Kenya among the beneficiary countries. The SSTP and JITAP are the largest programmes among these, in terms of budgets, duration, activity scope and beneficiary coverage.

- JITAP I and JITAP II
- Export Development of Organic Products from LDCs
- South-South Trade Promotion
- Buying from Africa for Africa
- Strengthening Trade Support Services for the Aid Procurement Market
- Promoting Trade in Services in sub Saharan Africa
- Networking Event to foster alliances among service sector associations (SSTP)
- Trade Expansion in Cashew nuts from Africa
- Market Intelligence to Improve Market Information Systems of Selected TPOs
- E-Trade Bridge for SMEs
- Reducing Poverty by Linking SMEs to Export Markets (EPRP)
- Capacity building for garment exporters to meet 2005 challenges

Annex 3: Listing of ITC Project Activities in Kenya (ITC Database)

S. No.	Project Description	Project Code	ITC Division	Closing Date	Funding Source	Total Amount USD '000
1	Review of market practices	INT/24/82 A	MDS	2003	Denmark	228
2	Export development of organic products from LDC	IN/24/83A	MDS	2003	Denmark	792
3	Website and promotion	INT/24/84 A	MDS	2004	Denmark	77
4	Market intelligence follow up to improve	INT/47/73 A	TIS	2003	Netherlands	338
5	Etrade bridge for SMEs	INT/W2/08 A	EMDS	2006	Global Trust Funds	1,546
6	ex South-South Trade promotion	INT/W2/09 A	SSTU	2005	Global Trust Funds	2,874
7	Export led Poverty reduction programme	INT/W2/11 A	OD	2006	Global Trust Funds	7,870
8	Strengthening business information capacites	INT/W3/60 A	BAS	2003	Global Trust Funds	38
9	Trade expansion in cashew nuts from africa	INT/W3/69 A	MDS	2002	Global Trust Funds	85
10	Launchng and piloting packit	INT/W3/74 A	BAS	2003	W1-3	62
11	Market access initiative of NEPAD	INT/W3/83 A	OA	2003	W1-3	105
12	Bridges beyond borders	INT/W3/94 A	TSU[4]	2003	W1-3	42
13	Programme developing during executive forum 2003	INT/W3/99 A	OD	2003	W1-3	73
14	Programme to promote service sectr experts in Sub-Sahara Africa	INT/W4/23 A	TSU	2002	W1-4	98
15	Preparation of joint ITC/ Trade Facilitation Office, Canada Initiative	INT/W4/40 A	OA	2003	W1-4	
16	Capacity building for gar-	INT/W4/58	MDS	2004	W1-4	95

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S. No.	Project Description	Project Code	ITC Division	Closing Date	Funding Source	Total Amount USD '000
	ment exporters	A				
17	Buyer-seller meeting in Arusha, Tanzania	INT/W4/60A	TSU	2003	W1-4	6
18	Competitiveness of tool fair	INT/W4/64A	OA	2003	W1-4	52
19	Strengthg trade supp serv	INT/W4/67A	OA	2004	W1-4	45
20	Expert meeting of service sector representatives	INT/W5/13A	TSU	2004	W1-5	89
21	Evaluation of meet in Africa and review	INT/W6/10A	MDS	2004	W1-6	81
22	Capacity building on the MTS-JITAP	KEN/01/005A	OA	2003	UNDP	106
23	Capacity building on the MTS-JITAP	KEN/10/05A				
24	Integrated prog management/HQ input	KEN/C2/01A	OA	2002	CTF1	169
25	SUPPORT to MTS institutions	KEN/C2/02A	OA	2002		108
26	JITAP: Kenya Cluster 3 Assistance to customs	KEN/C2/03A	OA	2002		
27	Legal adjustment and business environment	KEN/C2/04A	OA	2002		2
28	Reference centres	KEN/C2/05A				
29	JITAP: Kenya cluster 6 Trade informt mang	KEN/C2/06A	OA	2002		
30	Networking programme partners	KEN/C2/07A	OA	2002		3
31	HRD and improvemet of MTS knowledge	KEN/C2/08A	OA	2002		6
32	JITAP: Kenya Cluster 9-MTS impact	KEN/C2/09A	OA	2002		3
33	JITAP-Kenya Cluster 10-HRD in National	KEN/C2/10A	OA	2002		20
34	JITAP-Kenya Cluster 11-assessment of export	KEN/C2/11A				
35	Sectoral export strategies	KEN/C2/12A	OA	2002	CTF1	53
36	JITAP-Kenya Cluster 13 Trade secrets	KEN/C2/13A	OA	2002		0
37	Export financing	KEN/C2/1	OA	2002		8

S. No.	Project Description	Project Code	ITC Division	Closing Date	Funding Source	Total Amount USD '000
		4A				
38	NEP operation and quality management	KEN/C2/15A	OA	2002		14
39	Sub allotment to WTO/UNCTAD	KEN/C2/50A	OA	2002		
40	Prog devpt support to African economic	RAF/47/51A	SSTU	2003	Netherlands	693
41	Integrated leather sector devp prog for Africa	RAF/47/72A	MDS	2004	Netherlands	1,114
42	Private sector devp increasing Africas partciptn	RAF/50/42A	SSTU	2003	Norway	297
43	Integarted program UNCTAD/WTO	RAF/C2/50A	OA	2002	CTF1	6
44	Joint integrated technical assistance programme	RAF/D2/50A	OA	2006	CTF2	1,540
45	JITAP II-ITCcomponent of JITAP	RAF/D2/53A	OA	2006	CTF2	6,003
46	EXECUTIVE FORUM ON NATIONAL EXPORT STRATEGIES - 2003	INT/61/84				

Annex 4: Results of Field Research on a Project-by-Project Basis

Joint Integrated Technical Assistance Programme

Donor: ITC Common Trust Funds
Expected Outcomes:
Project budget: USD 2.48 for 2004 million pooled for all beneficiary countries.
Estimated project duration: 1999-2002 JITAP I, 2004-2007 JITAP II

In Kenya, besides government departments, ITC also partnered with a private sector consultancy ALMACO, to provide local support for some JITAP clusters, besides overall co-ordination of its activities under JITAP. The Export Promotion Council under the Ministry of Trade and Industry was in charge of activities under Clusters 11, 12 and 14.

The main activities under JITAP I were the following:

- Setting up of reference centres for disseminating trade-policy related information - there are four reference centres in Kenya: at the Ministry of Trade and Industry (focal point); at the CBIK(under the Export Promotion Council); at the Kenya International Business Training School; and at Kenya Bureau of Standards. The reference centres have been provided a large set of trade related reference materials, including ITC publications, and have been licensed access to ITC's net-based TradeMap services.
- Training of trade negotiators in the WTO agreements and formulating positions (this part was implemented by UNCTAD and WTO, the other partners in JITAP): The modules involved training of trade negotiators, customs officials, standards authorities and other stakeholders, including members from the industry and trade associations. In the Export Promotion Council, one official was trained in Geneva, and has been nominated as the resource person for dissemination on MTS issues, and is also a master-trainer.
- Sector level export studies and strategy documents: Under Cluster 11, product-market matrices were prepared for identifying appropriate export products for Kenya. Based on these outputs, sector strategies have been prepared for two sectors - fish and horticulture under Cluster 12. The activities were completed in 1999; and included an operationalisation plan for these sectors, which are proposed to be funded under Module 4 of JITAP II. ITC also assisted in the preparation of a National Export Strategy for Kenya, which was officially adopted by the Ministry of Trade and Industry in 2003.
- Training of customs officials and stakeholders from the private sector (customs clearing agents, forwarders, assessors, etc.) on practical aspects of implementation of the WTO Agreement on Customs Valuation, which Kenya acceded to in 2000: More than 600 persons were trained in Kenya, under a batch of ten master trainers.
- Activities under Cluster 14 included preparation of a guide for SMEs on how to borrow from banks.
- Under Cluster 15, a guidebook for SMEs using the ITC 'Trade Secrets' template, was adapted to Kenya.

- Some funds were used for the purchase of equipment - computers, LCD projectors, copiers, etc. JITAP funds covered the costs of hardware and installation but not maintenance contracts, which were to be arranged by EPC itself.
- JITAP II: Under JITAP II, Kenya has not commenced any activities, as funds could not be allocated by ITC until June 2004. However, activities are expected to start shortly.
- National Export Strategy: Based on the outputs from Cluster 11 and Cluster 12, Kenya has also prepared, with ITC assistance, a national export development strategy consisting of 10 sectors and six crosscutting issues. The sectors include fisheries, horticulture, textiles, food and beverages, tea, coffee, tourism and ICT. The World Bank has endorsed the document and is considering financing some aspects of the strategy. The Kenyan government allocated KES 13 million in 2004 for initial implementation steps.
- The beneficiaries have acknowledged the contribution of JITAP towards building capacities in government and private enterprises to deal with the MTS by focusing on export development. The participants benefitted from the use of ITC tools, methodologies, and the practical and hands-on-approach for strategy development.
- JITAP resulted in creating awareness of export opportunities and sector-specific strategies. However, to realise the benefits from trade, several implementation actions are required, which are beyond the scope of JITAP. As a result, the successful results from the technical assistance provided under JITAP are dependent on factors which JITAP itself has little control.

  Most of the preparatory work in the export strategy activities was done internally by ITC, involving national consultants and participants from all stakeholder groups; and there is now improved capability to undertake similar exercises with reducing levels of external technical support.

However, there has been some criticism in respect of the following:

- Cluster 14 was not considered to be satisfactory by more than one entity involved in the activities. Besides delays in the activities themselves, the larger issues relating to the banking policies and accessibility of credit to SMEs remained unaddressed, and this cluster was not satisfactory according to the co-ordinator.
- Even though JITAP II was announced close to 18 months ago, activities have not commenced so far. The activity plans were expected to be ready by August 2004.
- There appears to be disagreement among various stakeholders (ministries) on whether a national body should spearhead the export strategy for sectors. Some stakeholders preferred to see product or sector level statutory bodies in charge of sector strategies. The Evaluation also found a low level of ownership of the results among several stakeholders met in the field mission.
- There does not seem to be a cordial and co-operative relationship among some implementing partners, and personality issues and one-up-manship have taken over the initiative, according to some sources. As a result, there is lack of team

spirit. There is not a wholehearted acceptance of the National Export Strategy among key partners in the programme, especially in terms of implementation modalities and leadership.

- There has been a reversal in the positive trends in customs valuation issues that resulted from the training in customs valuation. Since 2000, collections had begun to improve, as a result of greater transparency in the valuation of customs duties and reduction in transaction costs/delays. However, the most important issue of creating a system of appeals has not taken place in practice. Even though there is an Act for the Appellate Tribunal on paper, the appellate members have never met and adjudicated on cases. As a result, there is a reversal to the older arbitrary system of valuation, which is non-transparent and causes revenue leakages besides uncertainties. This was recounted to the Evaluation by one of the master trainers in the Customs Programme, a high-ranking ex-official in the Kenya Revenue Authority.

Performance against the five evaluation criteria

Relevance: 3

Respondents, especially the national counterparts, submitted that activities under JITAP were highly relevant. They addressed the principal needs of trade negotiators in implementing the WTO agreements, including setting up the country's nominated national enquiry points under various WTO requirements; and disseminating the trade requirements among the principal stakeholder groups. They also developed the sector-level export strategies and a national export strategy for Kenya, and identified the important trade constraints that would need to be overcome in implementing these strategies.

The Evaluation concurs that on the whole, JITAP is highly relevant and there has been a high appreciation of the JITAP intervention, especially because it was timely and addressed the key issues and inadequacies among less developed countries in coping with the multilateral trading system. However, there are some aspects that need to be highlighted in the context of African countries that participated in the programme.

Some important WTO-related issues like trade remedial measures and intellectual property rights, are not under the framework of JITAP.

Kenya has no domestic legislation in place to deal with trade practices like dumping or other trade remedial measures and requires assistance in formulating these instruments to engage effectively in the multilateral trading system.

According to some stakeholders, textiles and clothing are the most important segments for export under several preferential arrangements for Africa. The open market access of clothing from other competitive origins is stated to be a major cause for the closure of the domestic textiles industry in East Africa, and this specific aspect is not fully addressed in training activities in JITAP.

Efficiency: 3
All ITC outputs were provided according to the agreed timetable, and there were no delays in the implementation of the programme. However, according to details provided by the national counterpart, activities under Cluster 14 and 15 have not been delivered to target, on account of various constraints, including the absence of an enabling policy and regulatory framework. Also, there has been delay in the sanction of JITAP II funds, which have impeded follow up actions on the sector studies undertaken in JITAP I. Considering the complex and multi-disciplinary scope of JITAP, ITC delivered outputs according to the agreed schedules.

Cost-efficiency: Cost efficiency of services provided by ITC at the country level could not be gauged in this project, due to non-availability of cost breakups and detailed listing of activities at the country level. However, ITC approach has been to develop master trainers in Kenya, who were made responsible for training other persons, thereby minimizing Geneva-based costs in the programme.

Nevertheless, a positive aspect has been the development of a training module for the private sector (customs agents, shipping companies, etc) at the initiative of the national counterpart, using the knowledge and training imparted to officials. This may have enlarged the reach of the programme considerably, beyond the planned levels.

Effectiveness: 3
Respondents stated that JITAP has effectively improved the capacity of the apex bodies connected with the trade negotiations in responding to the requirements under WTO. According to spokesmen at the Ministry of Trade and Industry, Kenya is recognised as East Africa's voice in the multilateral forum; and this is also due to the successful transfer of skills under JITAP. The successful participation of the private sector in the customs-training programme has had good results in terms of adapting to the Customs valuation procedures in accordance with WTO.

However, the enhancement of capabilities is limited to a very small number of persons, who have to deal with an overload of negotiations - WTO, EPA, AGOA, and other regional agreements as well.

The inability to put in systems to effectively implement the customs valuation system has already neutralised some of the advantages created under the JITAP, and the lessons learned have not been used effectively despite a good provision of inputs and resources by ITC.

Impact: 2
Stakeholders submit that Kenya now has a clear roadmap and strategy for using trade/exports as an engine of growth and poverty reduction. This has been possible largely because of the work under JITAP. The National Export Strategy has been formulated and endorsed by the government, as well as the World Bank, and therefore, funding for the strategy is likely to come through shortly. If the strategy is implemented, the impact of the project on the country's export performance will be significant.

However, the Evaluation observes that the impact of the enhanced capacities to participate in trade negotiations depends directly on the market access challenges faced by members.

The benefits from market access and also the sector strategies will ensue only if there are competitive advantages in the sectors identified, especially in productivity adjusted factor costs, infrastructure reliability, human resources and effective marketing linkages. To address these effectively, there needs to be support for sector-specific interventions that improve Kenya's competitiveness in the target markets.

In that respect, the creation of negotiation skills and strategies alone will have limited impact on the attainment of development goals.

Sustainability and Outreach: 2

JITAP activities were completed only in 2002 and it may be premature to look for sustainability at this stage. However, the outputs and results from JITAP are in the form of enhanced skills and capacities in persons and institutions that play a pivotal role in preparing Kenya for the multilateral trading system. These are expected to result in improved appreciation of the external trade environment and improved preparations and responses to globalisation. The sustainability would therefore be dependent on the institutionalisation of such capacities; and on further percolation of these skills and capacities among the ranks in these apex bodies, through further programmes and internal transfer of skills (trainer-training programmes).

In respect of capacity building, Kenya does not seem to have seriously pursued internal programmes funded from own resources. Continuance of targeted training programmes funded by donors would hold the key to the sustainability of results (Important lessons need to be learnt from the Customs experience in JITAP).

For sustainability of interventions, Kenya should rely on its own internal (budgetary) resources for implementing its sector/national export strategies, though support from external donors and multilateral agencies are inevitable in the short-term. Therefore, continued donor support, good donor co-ordination and actual implementation of the National Export Strategy are critical for the sustainability of the intervention. The World Bank's endorsement of Kenya's export strategy as a bankable document (as indicated by ITC national counterpart) is a good indicator of sustainability in the short-term.

Also, the long-term benefits from the sector strategies will ensue only if there are sector development programmes and strategic investments (development of product export clusters, FDI zones, WTO-compliant export incentives, etc.), in order to concentrate the competitive advantages effectively.

Export Development of Organic Products from Least Developed Countries INT/24/83A

Donor: Denmark
Expected Outcomes: Building a sustainable export business in organic products, through capacity building; and establishing or strengthening already existing regional networks.
Project budget: USD 791,798
Estimated project duration: March to December 2003.

This multi-country project consisted of technical assistance to LDCs and other low-income developing countries, to build up a sustainable export business in organic products. The assistance was to involve capacity building in certification, export marketing, market research and marketing intelligence, making the maximum use of electronic communication systems including the Internet. The project would help to establish or strengthen already existing regional networks, to maximize effectiveness and ensure the sustainability of these activities.

Activities (relating to Kenya), as reported by ITC, indicate that a supply survey/needs assessment on organic beekeeping was carried out in Kenya, Tanzania and Zambia, followed by a small study of selected target markets, i.e. Belgium, Germany and the United Kingdom. The ITC project document reports that all three countries have good export potential at the same time, as there appears to be a world shortage of organic honey and other hive products. The mission report provides recommendations on further development of the organic beekeeping industry in the countries concerned.

ITC consultants also participated in the Organic and Natural Products Round Table 2003 attended by 115 participants from 15 countries, and presented papers.

Mission Observations

Although ITC activities in the project are well documented, the field mission could not find evidence or a high recall of the project and its activities, neither from the Export Promotion Council nor the Horticulture Crops Development Authority. The HCDA did have a faint recall of some activities related to organic cultivation; but felt that the major challenges were not in teaching farmers, but in procuring the funds for certification, which is beyond the reach of small farmers, and beyond the capacity of the institutions as well.

However, some linkage to the training was found in another project, the EPRP project in Rift Valley, where 50 farmers had been selected for beekeeping and honey exports. According to the project co-ordinator, ICIPE has imparted training to these farmers in the practices of beekeeping and this was connected with the export development project.

The project faces several supply side constraints in organic product exports, of which the important ones are highlighted below:

- Narrow and widely scattered supply base, resulting in difficulties in organising supplies from the dispersed production areas.
- Difficulty in accessing export credit and working capital finance for the unorganised and small enterprises, which is a serious issue for all of Kenya's industrial activities. Banks are wary of funding enterprises, and the government has yet to finalise a targeted SME finance programme involving mandatory or priority lending on concessional terms.
- Inadequate preparedness of the enterprises to deal with requirements of exports relating to product quality, packaging and documentary practices.

Notwithstanding the above, honey is an appropriate product for community level intervention and has been rightly taken up under the EPRP. The scale of activities is much smaller, and there is a greater possibility for establishing sustainable market links than in a sector approach. In case the honey cultivation becomes a successful experience in the EPRP project, the lessons can be replicated in other areas, including at a larger sub-sector scale.

At another level though, it would be in order to examine whether it is worthwhile to continue future activities in products like spices, honey, etc. that do not find prominence in the National Export Strategy. Given the limited financial and technical resources, it will become increasingly important for Kenya to orient all technical assistance only in the 10 sectors identified in its National Export Strategy; and not dilute them over isolated activities on marginal products like honey, simply because there are multi-country programmes with some budgets for each country.

Performance under the Five Evaluation Criteria

Poor recall of the project could not enable meaningful discussions on the evaluation. However, the statutory body concerned with the sector, highlighted concerns as to the limited impact and sustainability of organic certification on such a small scale, and also the lack of co-ordination of technical inputs with other important stakeholders.

Relevance: 2

While the linkage between organic production and income enhancement is irrefutable, the relevance of the products selected for Kenya namely, spices and honey, is debatable in view of their marginal potential contribution to export, compared with the other big-ticket items like coffee, tea and horticulture, in which organic potential is considerably larger.

Under these realities, the scope of assistance – capacity building in certification, export marketing, market research and marketing intelligence, making the maximum use of electronic communication systems including the Internet (as appearing in the project document provided by ITC) – appears premature and over-designed, without a meaningful volume of exportable output.

In light of the sectors identified for the National Export Strategy and also of the low recall by the apex body in charge of the sectors, the relevance of this project is considered to be low.

Efficiency: 1

The project does not seem to have established timing of its inputs with the forthcoming EPRP project in the Rift Valley, in which bee-keeping has been identified as an income-enhancing activity. The exchange of information and co-ordination between the two projects will be important for future events to use the inputs – training and marketing missions – optimally. The use of electronic communications including the Internet being referred to in the project document are not visible in Kenya, as no website could be found on organic beekeeping practices in Kenya (May-June 2004 web search).

Cost efficiency

Cost-efficiencies could not be ascertained accurately in this multi-country project. Based on the project document, eight countries are stated to be beneficiaries in the programme, therefore the average apportioned cost per country can be estimated at nearly USD 100,000 over three years.

However, some benchmarks are available from other sources including ITC projects in other countries, as to costs of training, exposure visits and preparations for certification, etc.:

- Cost of supply surveys: USD 2,500 (SSTP budgets for country surveys).
- Trip to Europe, three days: USD 2,000/head (USD 1,200 economy airfare, USD 200/d costs).
- Certification costs (EU accredited national bodies): USD 1,500/acre per zone (EPRP, India).
- International consultant outage rates: USD 1,000/diem (Organic certification experts).

Based on these, for one training programme in Kenya, the cost of deliveries should be in the region of USD 15,000 assuming three days of training, three persons going on one market exposure visit, and one production zone to be inspected for initial certification. Because no costs are assumed to have been incurred toward certification, the programme cost can be estimated at USD 13,500 per country. This does not include any Geneva-based preparatory costs and the apportioned costs of ITC staff working on the project.

Based on the above comparisons of cost apportionments and surrogate estimates for activities relating to Kenya, there appears to be a considerable difference in estimates of costs attributable to the activities. This indicates that either a large share of costs is Geneva-based, or the costs of various activities in the project is substantially higher than comparable estimates.

Effectiveness: n.a

Given that the project deals with organic production, the Evaluation considered it important to meet the HCDA, which has the mandate over the entire range of horticulture. It was understood only after meeting the HCDA that they had no role in the project, and it was ICIPE that could probably have been involved in the project. The Evaluation could not meet ICIPE given the short notice and tight schedules. There is no recall of the benefits from the project by the officials met at the HCDA.

However, according to ALMACO, the co-ordinator of the EPRP project, which includes honey as one of the target products, the training provided under this project to ICIPE, would be useful in the EPRP project. It is expected that the training experience and market knowledge would be utilised fruitfully at the appropriate stage.

Therefore, it is early to conclude on the effectiveness of this project based on results to be obtained from the EPRP project, which is in early stages. The HCDA felt that the major challenges were not in teaching farmers, but in procuring the funds for certification, which is beyond the reach of small farmers, and beyond the capacity of the institutions as well.

Impact: 1

The impact of the intervention is likely only if a large-scale beekeeping programme follows from the pilot-scale project currently under implementation. Also, the scaling up requires the active endorsement and participation of apex bodies connected with agriculture, horticulture and rural development. This is in order to support further training programmes in other areas/products. The present level of involvement of these bodies in organic development programmes does not indicate that such scaling up measures are being considered.

Sustainability and Outreach: 1

Developing organic honey exports from Kenya is possible, only when a sizeable production is in place; and organic certification has been obtained for a growing area. It is assumed that the training imparted in this project will be utilised in the EPRP project under way, in which case the beneficiaries would be able to obtain organic certification for their produce.

The sustainability will also depend on the establishment of long-time procurement contracts with buyers identified through this project, and the likely offtake from the markets/buyers. In this regard, it is understood that in products like honey, it is extremely difficult to differentiate organic and non-organic products (some even doubt if there is anything called non-organic honey); there is an enormous variety in tastes, and the aggregate size of the market cannot be the basis of a market approach. At the same time, certification costs can be considerably high for small and marginal farmers, and therefore, for the project to be effective, the project beneficiaries need to attain sufficient scale to absorb these costs on their own.

Lastly, the outreach of the project is likely to be limited as the demand for organic products is still small and cannot support a large increase in supplies based on the successful market entry from pilot projects.

South-South Trade Promotion Programme, Including Four Projects:

Buying from Africa for Africa

- Strengthening Trade Support Services for the Aid Procurement Market AB INT 467
- Promoting Trade in Services in sub Saharan Africa INT W4/23
- Networking Event to foster alliances among service sector associations INT W3/94

A detailed evaluation of the global SSTP Programme has been carried out as part of the technical studies under this evaluation. In this report, only observations pertaining to Kenya from activities under or related to the SSTP theme are presented.

Buying from Africa for Africa (a theme under SSTP)
Donor: Global Trust Fund
Expected Outcomes: Enhancement of procurement from African suppliers by humanitarian organisations.
Project budget: USD 2,100,000 (overall SSTP budget)
Estimated project duration: 2002-2005

This was a new dimension to the SSTP programme, aimed at increasing Africa's participation in development aid procurement. The participating countries at the event are selected from the results of a trade flow analysis to identify the export potential of these countries with regard to shelter, personnel protection and household items. The participating companies at the event are identified by trade promotion organisations in the selected countries, and short-listed based on the recommendations of auditors who visit them in each country. The auditors also offer consultancy assistance to the companies in preparing for the event, advising them beforehand on the requirements of the agencies.

Strengthening Trade Support Services for the Aid Procurement Market - AB INT 467
Donor: Global Trust Fund (W 1-4)
Expected Outcomes: Needs assessment of TSIs and building their capacities for addressing the needs of exporting enterprises supplying products to humanitarian and relief agencies.
Project budget: USD 44,884
Estimated project duration: May 2003 to June 2004

The project relates to the building of capacities of TSIs in Kenya, Tanzania and Uganda, particularly the TPOs, for addressing the needs of exporting enterprises supplying products to humanitarian and relief agencies under the SSTP Programme.

Activities in 2003 included the following:

- Assistance to representatives from key TSIs in Kenya, Uganda and Tanzania to participate actively at a Buyer-Seller Meeting.

- A needs assessment mission to the three countries to assess strengths and weaknesses of TSIs, particularly their ability to provide effective trade support and business advisory services to bring both parties (suppliers and aid procurement agencies) closer together; and to allow suppliers to secure a higher share of the aid procurement market.

Mission observations

In Kenya, the Export Promotion Council was the national counterpart institution for the project. Under the project, officials of the EPC were exposed to the ITC SSTP methodology and the three steps it involves.

For the first event, EPC developed a database of buyer agencies located in Kenya. Many buying agencies had procurement offices in Kenya, managing requirements for the East African market. However, there was no mention of having co-ordinated any work of national consultants in identifying suppliers or producing supply surveys.

There were not many suppliers to the aid business, and many suppliers that attended the buyer-seller meetings had already been introduced to some buying agencies. As a result, there was practically neither demand for information about the event nor requests for support to prepare dossiers. As to monitoring outcomes from the events, EPC stated that follow-ups are always ineffective because suppliers do not want to disclose details of business concluded at the events.

On the whole, the Evaluation noted a lack of enthusiasm and interest in the SSTP intervention, contradicting the fact that Kenya was proactive in hosting a second meeting on this theme in 2003, without any support from ITC. The only positive outcome for the EPC has been stated as the transfer of skills in organising buyer-seller events without ITC assistance, as shown in their independent handling of the second meeting in 2003.

End User Surveys

As part of the evaluation of the SSTP Programme as a technical study, the Evaluation sent simple questionnaires to 26 aid organisations and 27 suppliers from Kenya, who were mentioned as participants in a list given by ITC (The EPC could not furnish this list when sought by the evaluators).

Of the 53 respondents, eight mails bounced and only one buyer and six sellers answered. Two reasons for the poor response could be the deletion of the mails by spam mail filters, or lack of inclination.

The summaries of responses to the questionnaire have been tabulated below:

Perception of the utility of the Buyer-Seller Programme	Scores on scale 1(none) to 4 (significant) of eight responses
Increase in business	1,3,1,3,3,2,2; average 2.1
Introduction of new suppliers/buyers	2,3,2,2,2,2,2; average 2.1
Useful information on buying procedures	1,3,3,2,4,2,2; average 2.4
Quality of supply and demand surveys	1,3,4,2,4,3,2; average 2.7
Awareness raising of problems, bottlenecks	1,3,3,2,4,2,1; average 2.2
Overall	2,3,3,2,4,2,2; average 2.5

Only one procurement organisation responded to the questionnaire. Even the UNDP office in Kenya, which maintains data on the procurements by UN bodies in the region, could not provide any information on procurement under the 'Buying from Africa for Africa' programme, and the officer concerned was not well aware of the project.
The Evaluation also interviewed two respondents in Kenya, who were already regular suppliers to humanitarian aid organisations, and were registered with the UN procurement offices in Africa. One of them got a few enquiries for three months from two agencies that had met it at the event, however, this stopped thereafter. The other did not gain any business from the event. Both mentioned that while the need addressed by the programme remained, the benefits from the programme were minimal.

According to the suppliers, key issues that impede local supplies to humanitarian aid procurement are:

- Absence of common specifications even for simple products like pots, pans and tents.
- Lack of distinction between manufacturers and traders, which often results in traders getting consolidated orders for supplies of several goods, and negotiating with manufacturers after getting orders, which can often be exploitative.
- Absence of rate contract systems (based on normative costing) with indications of off takes over a longer period.

Promoting Trade in Services in sub Saharan Africa INT W4/23[5]
Donor: Global Trust Fund (W 1-4)
Expected Outcomes: Capacity and demand study of business-to-business services, training workshops for enterprises, train-the-trainer orientation workshops.
Project budget: USD 98,737

7 [5] For the first time services are picked as a theme related to the SSTP, even though the project is not funded from the SSTP budget.

Estimated project duration: May 2001 to December 2002

This project targeted the development of service exports through enhanced awareness of opportunities, building a database on exportable services and service providers, and service sector alliances in selected sub-Saharan countries – Ghana, Nigeria, Tanzania, Kenya and Uganda. The activities entailed a capacity and demand study of business-to-business services, followed by export-readiness training workshops for enterprises; a train-the-trainer orientation session for TSIs; and a session for government officials. The train-the-trainer workshop aimed to build capacity within chambers of commerce and services industry associations to deliver training to member companies on an ongoing basis.

The deliverables for the project were:

- Database of potential clients (SMEs and TSIs) in the five countries,
- Market requirement matrices and opportunity matrices for each country,
- Identification of at least 10 export-ready firms in services in each country,
- Matching of exporters/importers, and
- Best practices model for national services coalition.

Networking Event to foster alliances among service sector associations INT W3/94[6]
Donor: Global Trust Fund
Expected Outcomes: Cross-border partnerships among services sectors by adapting the Buyer-Seller meeting format.
Project budget: USD 45,000
Estimated project duration: 2002

This project (USD 45,000) was designed to foster in-country and cross-border partnerships among services sectors by adapting the Buyer-Seller meeting format of the SSTP model to the services sector. This involved identifying potential clusters in services (five clusters were selected i.e. business services, education, construction, Information Technology and tourism) in three countries – Uganda, Kenya and Tanzania – and holding a workshop in Kenya.

ITC reports that capacity studies were developed and training was delivered to SMEs, professional associations and Chambers of Commerce in the five recipient countries. Over 500 companies received export-preparedness training. New regional bodies of ser-

[6] For the first time services is picked as a theme related to the SSTP, even though the project is not funded from the SSTP budget.

vices exporters have emerged in three countries. The ITC training modules have been adapted and included in many educational institutes. There is also heightened awareness within Governments of the importance of the service sector.

According to ALMACO, which co-ordinated some activities in the project, networking among service exporters is a necessary process in the building of cross-border alliances in the service sector, because services account for more than 50% of Kenya's GDP and a large share of its exports.

Performance under the five evaluation criteria

Relevance: 3
The SSTP Programme seeks to enhance sub regional and intra-regional trade by focusing on complementary suppliers from within the region. Its relevance to the development needs of less developed countries is significant. The SSTP intervention is relevant to Kenya, and the selection of the two themes is apt, considering that: (a) Kenya is home to the regional offices of several aid procurement organisations, and can facilitate the increased integration of local suppliers to the regional procurement system; and (b) services is a large sector in Kenya's export basket, and is a priority sector for the National Export Strategy as well, with an increasing regional dimension emerging from cross-border (treaty-shopping) investment opportunities in East Africa. In case of the Buying from Africa programme, the buyer and seller profiles are highly complementary and this opens up a new possibility in trade enhancement in the region.

Efficiency: 3
ITC has a unique format for the SSTP, which makes it easy to administer the contact schedules for the buyer-seller meetings. The location of a large number of buyer agencies in Kenya also enabled a second buyer-seller event to be organised without the support of ITC. The quality of information provided on aid procurement is very useful to prospective suppliers.

The consultants consider the SSTP events to be organised highly efficiently, and concur with the observations of participants as to the high quality of surveys and preparations for the events.

Cost-efficiency
There is no comparable benchmark for the SSTP, given its unique design. The standard deliverable outputs in the SSTP format are trade flow analyses, demand supply surveys and finally, the organisation of buyer-seller meetings. However, several inputs from ITC go into the delivery of these outputs, resulting in high Geneva-located costs. The actual allocations for the surveys and the meetings account for less than 30% of the overall budget. Given that SSTP events are repetitive and several such events have been held in the participant countries, local partners should be able to arrange similar events with considerably lower budgets than at present.

ITC documents indicate that the costs of holding the events themselves are below USD 10,000 per event, with a participation of 50-100 enterprises. This is very much in line with events organised by chambers of commerce in several developing countries.

Effectiveness: 2
One positive outcome has been the transfer of skills in organising buyer-seller events, as shown in the independent handling of the second meeting in 2003 without ITC assistance.

The exposure to the events of Bridges Beyond Borders and the promotion of service sector exports in 2001 and 2003 have been useful inputs for the preparation of Kenya's National Export Strategy, which includes two service sectors – tourism and ICT – as thrust areas for development. Kenya also proposes to undertake a services export strategy under JITAP II, subject to availability of funds.

Yet, despite the extensive preparations in the drawing of participants, and the good targeting of participants, business results from the events have been limited, and many participants could not increase their business or obtain registrations with a large number of participating institutions. However, the experience of participating in such events has improved knowledge of the buying procedures of buyers. It has also assisted in customising their marketing approach/practices to the requirement of specific buyers.

Impact: 2
Stakeholders involved in the aid procurement project (which had two events in Kenya and also a supporting programme for the TSIs) did not expect to see a major impact from the aid procurement programme, and also did not seem to have a high opinion of the aid procurement system, and cited the following aspects:

- Aid agencies do not follow a transparent procurement process.
- It is very difficult for new suppliers to get into the system.
- Traders often get orders for products that manufacturers themselves are unable to procure directly, which leads to exploitation by traders.
- Aid buying is an ad hoc process and it is very difficult to prepare systematically for this segment.

However, the project has created the conditions for prospective suppliers to form an alliance to represent collectively before the procurement organisations, and such an alliance is under exploration (partly a result of discussions between end users and consultants).

Sustainability and outreach: 2
Unless participants are able to pay for all costs associated with the events, the programme is not sustainable. National partners have expressed inability to arrange finances for the events on their own.

Though the partner institutions have gained sufficient experience organising events using the format of the SSTP programme, funding for the buyer-seller events remains a key issue in organising repeat events. Participants need to consider participation in the events as business promotion investments and cannot expect to have these investments subsidised by donors.

Aid procurement is a lengthy process and suppliers require adequate follow up. In the absence of a collective process in compiling requirements, and representations before buyer agencies to simplify and clarify on procedures, the buyer-seller event alone cannot have a lasting impact. At the same time, there is a need to monitor and aggregate procurement requirements and to disseminate them to prospective suppliers. Suppliers also need to address the need for standardisation in buying practices of different agencies, especially in specifications setting of simple products. This role has not been performed by any entity in the programme.

The outreach of the SSTP is likely to remain limited in view of its design, given the practicable size of the participants' list in each event. However, the SSTP approach can be readily replicated by sector level organisations, using their own initiative and networks in strategic markets, and using ITC support to identify suitable counterpart organisations.

Trade Expansion in Cashew nuts from Africa INT W3/69

Donor: Global Trust Fund
Expected Outcomes: Regional conferences in Africa to increase networking among exporters of cashew nuts and promote value-added products.
Project budget: USD 84,485
Estimated project duration: October 2001 to June 2002.

This multi-country project consisted of organising conferences to increase networking among exporters of cashew nuts in Africa and promote value-added cashew nuts and create awareness of market opportunities. The participant countries included Benin, Ivory Coast, Ghana, Kenya and Tanzania.

The activities included preparation of national studies of the sector, holding regional Round Tables to provide the opportunity to jointly address several issues of common nature, and development of a cashew nut portal and website for the region.

Kenya participated in the first event held at Burkina Faso, at which the Product Maps were distributed. External consultants had done the market opportunity studies, based on which buyer-seller meetings were arranged at the event.

According to EPC, Kenya did not benefit from the event, primarily because it was not a major cashew producer and also because its own processing industry was not performing well. The largest cashew nut processing company in Kenya was almost on the verge of closure, under an export policy that did not sufficiently encourage value-added exports instead of raw nut exports. Policy changes in the sector were the purview of the Ministry of Agriculture, which could not be sufficiently influenced by the EPC.

EPC also did not get the reports following the first buyer-seller meeting, and declined to participate in the second phase of the project in 2001. However, the processing industry is presently under a revival phase and there may be an increasing interest in future events in the sector.

The field mission observations on this project demonstrate the ineffectiveness of technical assistance in products that are not a priority for exports or poverty reduction strategies. The example illustrates the wastage that occurs in improperly targeted technical assistance and the pursuit of an availability-driven approach, instead of a needs-driven approach. The contrasts between Tanzania and Kenya in the same project will substantiate this observation.

Performance under the five evaluation criteria

Relevance: 2
While ITC interventions for the development of market exposure and building linkages with final buyers are relevant, Kenya is a marginal producer of cashew nut; does not have a competitive processing sector at present; and the export policy too does not discourage raw nut exports. Therefore, the project was not as relevant to Kenya as to other exporting countries, given the present state of its cashew-processing sector, which has larger supply-side issues to be addressed before considering market linkages. Cashew nut is also not in the priority sectors identified in the National Export Strategy document. The non-participation in the second event is testimony to the limited relevance of the project.

Efficiency: 3
The product and market maps were completed with the assistance of external consultants, as targeted. The buyer-seller meetings were informative. However, the national counterpart did not receive the reports following the first meetings.

Cost-efficiency

ITC project documents indicate that there were five beneficiary countries (though 10 countries participated in events according to the project officer) in the programme, and close to USD 85,000 were expended in the programme, with outputs in the form of a supply study and activities relating to a regional Round Table. The national participant from Kenya was from the Export Promotion Council.

The apportioned costs for each country can be estimated as USD 17,000 (USD 8,500 assuming 10 countries). Assuming a notional cost of USD 2,500 for the country study (basis SSTP standards) and USD 2,000 for a one-time participation in the Round Table, the comparable value of outputs, excluding ITC internal costs is comparable to the apportioned costs per country.

Effectiveness: 1
The project has not been effective in addressing the more important supply side issues and improving the state of Kenya's processing sector. The objective being to enhance exports of value-added products, a sector approach would have probably brought greater benefits. Kenya's participation at the events could have been used in prospecting foreign investors in processing factories, and for revitalising the national cashew nut factories.

Impact: 1
No impact is expected from the project.

Sustainability and outreach: 1

Kenya does not have an apex body in the sector to address the various issues that impede production and create awareness of market opportunities for export of cashew nut from Kenya. A sector-specific strategy is necessary to sustain cashew nut cultivation and processing. In the absence of these elements, the sustainability and outreach attributed to the project is also likely to be negligible.

Market Intelligence to Improve Market Information Systems of Selected Trade Promotion Organisations (INT/4773)

Donor: Netherlands
Expected Outcomes: Follow-up assistance in strengthening capacity of participating institutions in management and delivery of trade information.
Project budget: USD 338,972
Estimated project duration: November 2001 to December 2002.

This project concerned capacity development at the CBIK, which is Kenya's national Trade Information Service, an entity under the Export Promotion Council. The CBIK was started in December 1998 with four business counsellors and support staff, all under the rolls of the EPC.

The need for this proposal emerged from CBIK participation at a CBI, Netherlands' market intelligence seminar programme in December 2003, which identified strengths and weaknesses of TPOs in trade information capacity. With inputs from ITC, a new proposal with a budget of USD 140,000 over a two-year timeframe has been submitted to the government of Netherlands for consideration.

CBIK provides businesspersons a range of trade information, including trade data, publications, reference materials, and also access to proprietary tools and products of international bodies, for example, the ITC Product Maps. Most services of CBIK are available as library services on its premises. Active partnerships with CBI, ITC, UNDP and USAID provide the CBIK with resources to provide its services.

CBIK is also one of the notified reference centres under JITAP and stocks a full set of materials relating to the WTO and international trade issues.

According to the Centre for Business Information Kenya, this project is still at the proposal stage. It targets the strengthening of CBIK, through staff training in information management, analysis of trade data, development of information resources and dissemination to target clientele. The centre also proposes to introduce trade related training programmes for business enterprises, for instance the export fitness checker programme of ITC and the e-Trade Bridge, suitably adapted for Kenya.

Mission Observations

The CBIK is the official trade promotion service in Kenya and has the basic infrastructure to provide basic information to businesspersons. It also has three trained counsellors to advise business on trade related issues. However, financial self-sufficiency is a serious constraint to CBIK. Its revenues are from user charges of its web search engines (proprietary databases) and other specific requisitions for trade reports and market studies. At present, it receives around 200 enquiries and over 100 visitors a month. The revenue base is absolutely inadequate to cover even a part of its costs, leave alone salaries of its staff.

Performance under the five evaluation criteria

Relevance: 3

The project is relevant, given that CBIK is the national point to furnish trade information, and needs to be up-to-date in its capabilities as a service provider.

Other aspects have not been evaluated, as activities have not commenced in the project. However, some observations have been made to serve as an input during project implementation.

Effectiveness: n.a.

With successful absorption of ITC outputs, the CBIK will be in a position to provide new services on a commercial basis. This will enhance its independence, which would be an effective outcome of the project. There are other competitors to CBIK in these services, and cost-effective and efficient service delivery will determine the attractiveness of the intervention.

Impact: n.a.

The CBIK can add a whole range of ITC tools and services to its portfolio and some of these are unique products. These services are highly relevant to SMEs, and can result in improved awareness/capacities with regard to competitiveness-related aspects. However, training alone is insufficient to enhance the competitiveness of enterprises, and the other dimensions are not within the scope of this project.

Sustainability and outreach: n.a.

The CBIK strategy to become financially self-sufficient requires the addition of new service capabilities - market analysis studies, consultancy services, match making, etc. However, this would also require addition of especially skilled staff, which needs additional resources.

However, not considering its distinction as the official TPO in Kenya, the CBIK has competition in its activities from business organisations like the KAM and KNCCI, which also have a sizeable information service package for their members. They also have service outlets outside Nairobi, unlike the CBIK, which is located only at the EPC premises. Therefore, the CBIK strategy of diversifying its portfolio requires the patronage of business enterprises that brings it directly into competition with the business chambers.

The success of CBIK in expanding its service capabilities depends on the successful transfer of training skills by ITC to its key managers; and the CBIK's ability to market these training programmes (E Trade Bridge, Export Checker, etc.) to the industry.

E-Trade Bridge for Small or Medium-sized Enterprises

Donor: Global Trust Fund (Window 2)
Expected Outcomes: Creating internationally competitive e-competent businesses and building national e-capacities within supporting institutions.
Project budget: USD 3,000,000
Project duration: May 2002 to December 2005.

The CBIK mentioned this as a programme to be started shortly and that it would be the likely partner for this programme, which will follow the activities under the project: Market Intelligence to Improve Market Information Systems of Selected TPOs. No mention was made about any actions having already been carried out in the project.

However, ITC officials involved with the programme cite the following activities (the stakeholders did not mention these in the interviews), as already having been carried out under the kick-off component of the programme, which was funded separately:
Kick-off Meeting,
Preparation of an e-preparedness report of Kenya,
- Training of two assessors, and

Counseling to an enterprise through the assessors to e-nable the enterprise.

No further actions are envisaged at this stage for Kenya for budgetary reasons.

Mission Observations

The CBIK is the official trade promotion service in Kenya, and has the basic infrastructure to provide basic information to businesspersons. It also has three trained counsellors to advise business on trade related issues. However, financial self-sufficiency is a serious constraint to CBIK. Its revenues are from user charges of its web search engines (proprietary databases) and other specific requisitions for trade reports and market studies. At present, it receives around 200 enquiries and over 100 visitors a month. The revenue base is absolutely inadequate to cover even a part of its costs, let alone salaries of its staff.

Performance under the Five Evaluation Criteria

Relevance: 3

The project is relevant, given that CBIK is the national point to furnish trade information, and needs to be up-to-date in its capabilities as a service provider.

Efficiency: 2

There was a serious discrepancy between the information provided by the beneficiary and ITC on actions already undertaken. The beneficiary was not even aware that there would be no further activities in Kenya and that the project had been completed. This indicates a deficiency in communication at the operational levels in the project; and impairs an assessment of the provision of inputs by ITC, which were to be done in co-ordination with the CBIK.

Effectiveness: indeterminate

There was no basis to assess the effectiveness of the project, as no SME participants could be met and there was no information on the kick off stages from the beneficiary side.

Impact: 1

As the project does not have further funds for Kenya, especially to deliver training to enhance e-readiness, no impact is to be expected from the project, which has in the final analysis counseled only one enterprise.

Sustainability and outreach: 1

No outreach is expected from the project in view of the closure after the initial stages.

Reducing Poverty by Linking Small and Medium-sized Enterprises to Export Markets KEN/04/032/A/01/62

Donor: UNDP (for Kenya)
Expected Outcomes: Linking disadvantaged communities to export markets through a direct involvement in export -linked activities.
Project budget: USD 169,950 in 2004
Estimated project duration: 1st February 2004 to 31 December 2008.

Although this UNDP project is referred to as an EPRP project, according to ITC, a separate EPRP project is to commence in Kenya, covering the same products and communities. However, these do not alter the evaluation of this project, which is based on interviews with stakeholders and on the project document provided by ITC, and thus remains valid.

Following a request in early 2002 from the Government of Kenya for programme support under the Export-Led Poverty Reduction Programme, ITC conducted an opportunity study (May-June 2003) in Keiyo, Koibatek and Baringo districts. This was in order to assess the possibility of linking up small-scale farmers in the three districts with export markets under a pilot EPRP project.

In line with the concept of the EPRP design, the opportunity study identified a few target communities, products, existing exporters and TSIs (public and private) that fulfilled the criteria and could form the core of an EPRP pilot project. Accordingly, four farmers' groups, Eldume and Kapkee (to produce chillies), Rachemo (honey) and Tiripkwen (French beans) were identified for support under ITC's EPRP programme. The pilot project aims at integrating the four selected poor communities through product and market development into the export value chain. The pilot project would be replicated to wider communities, once success is recorded.

Performance under the five evaluation criteria

At the time of evaluation, activities had not commenced, though funding for 2004 has been committed by UNDP. As such, there were no field activities to be witnessed at the time of the mission.

Therefore, the evaluation of the project is based on the assessment of its relevance; the selection of sectors, beneficiaries and implementation partners; and the likely influence of external conditions on the performance of the project. The evaluation does not provide rankings on the other four criteria, but presents the concerns of the consultants under these headings, which may serve as a useful input in implementing the project.

Relevance: 3

The project co-ordinator considered the EPRP intervention to be most relevant to Kenya, which has a poverty ratio of more than 50%, and more than 80% of the population susbsisting on agriculture. Cultivating products with an international market potential enables higher incomes for rural areas.

The project is well conceived and is relevant to the conditions in the chosen location. Horticulture is an important sector in Kenya's exports and a major employer of the rural population. It is also the supplier to the processing industry and contributes substantially to food security in the country. The inclusion of French beans and chillies, both having good export potential, as established by studies undertaken under other funded projects, are appropriate. It is also assumed that the programme partners have established the feasibility of cultivating these products in the Rift Valley, which has irrigation and appropriate climatic conditions for horticulture.

However, it is felt that the limited resources available for the project are being spread thin, covering several products at the same time, and some of these products (honey, for instance) have a much smaller potential for scaling up, compared to others (French beans, for instance). In the present design, there are very small beneficiary groups, 10 to 20 in each product. The aim of the EPRP intervention being to provide an effective pilot project; it is felt that a project based on one product identified under the export strategy (French beans have been identified as a fast-growth segment in horticulture), and involving a larger number of beneficiaries in a contiguous area, would have better prospects to sustain itself during the term of the project.

Efficiency: n.a.

Based on the feedback from other countries on the SSTP Programme, the Evaluation recommend the postponement of the following activities of the 2004 Work programme to the subsequent phase, by when sufficient knowledge and skills would have been transferred to the beneficiaries:

- Undertake a trade flow analysis, supply and demand survey of Kenyan exports to EAC, COMESA, Southern African Development Community, SADC, IGAD and Indian Ocean Rim countries for the export of fresh and processed horticulture and apiculture products - there is already sufficient information available at ITC, and a large sector-level demand assessment is unnecessary for establishing market linkages for a community-level intervention. In fact the EPRP is predicated on 'winning products' and these products have already been identified based on export potential. Funds earmarked for these studies may be substituted by identification of 'willing, strategic buyer/partners' by Mace, Greenlands and Kerio Trade Wings who are the partners of the project; and sponsoring their visits to the project, with better results.

- Organise a buyer-seller meeting for horticulture and apiculture products – lessons from the experience of the several buyer-seller meetings, held since 1996 under the Intra African Trade Promotion and Sub regional Trade Expansion Programme in Southern Africa, need to be imbibed before undertaking yet another mission in this sector. The meetings in South Africa highlighted several enterprise-level constraints that prevented new suppliers from exporting against confirmed orders. In the pilot phase, and until a meaningful and stable production base has been established in the districts, the role of marketing should be left to Kerio Trade Wings and the other partners - Greenlands and Mace both having experience of selling to EU markets. Pilot phase budgets should include appropriate costs towards attending regional trade events or specific market visits by these partners, instead of spending scarce resources on a delegation of first time farmers, even before they have a full-year of training and cultivation experience.

Effectiveness: n.a.

Going by the successful experience of ITC in other countries, this project can be expected to have an effective result for the direct beneficiaries. However, ITC should bring to the project beneficiaries all the knowledge, skills and lessons learned under some other projects; especially the Organic Product Exports from LDCs (some of the products overlap with this project) and the SSTP events. An organic focus would improve the export prospects of the EPRP project considerably.

Impact: n.a.

The EPRP intervention is a pilot-scale intervention and assumes replicability and extension to scale up impact on income generation and poverty reduction. In this regard, the various elements in the project are in place to ensure a scaling up of the project in the Rift Valley region, and thereby spreading the benefits from export-linked production areas to an increasing number of beneficiaries.

Sustainability: n.a.

The most important steps towards sustainability have been the project location and the selection of partners and collaborating agencies. The Rift Valley is a good location for horticulture activities; and it enjoys climatic and natural resources to scale up the project from the pilot stage; and enable a meaningful export base from the region. Also, the project has chosen appropriate collaborating partners to direct technical assistance - national bodies, export organisations and NGOs, which will have a continued interest in the sector even after the project closure. Therefore, the project will have built capacities among these organisations to develop similar interventions in future.

There are also several large constraints faced by the export community, such as:

- Poor quality of storage and post harvest infrastructure in most parts of the country.

- High tariffs in electricity and telecommunication services.
- High cost of finance and absence of mandated credit structures for poverty-alleviating schemes.
- Sanitary and Phytosanitary requirements of international markets, pesticide residue levels and traceability of products, which are major obstacles for small-scale farmers.

It is beyond the scope of the project to address most of these issues, given its own conceptual and financial limitations. Therefore, it is essential to register the actions and measures being taken in Kenya to resolve these larger constraints, which are obstacles to an export-centric development paradigm.

Capacity building for garment exporters to meet 2005 challenges (RAF/W4/58A)

Donor: ITC Global Trust Fund (Window 1)
Expected Outcomes: Assisting garment industries to understand the 2005 quota phase out, and building capacity to develop appropriate responses to these challenges.
Project budget: USD 94,758[7]
Estimated project duration: March 2003 to June 2004.

This project dealt with the preparation of a study and its dissemination before the stakeholders. Therefore, its evaluation differs from those of other projects in this evaluation.

The project was designed to assist the garment industries of selected countries (i.e. Kenya, Madagascar, Cuba and El Salvador) to understand the challenges of the 2005 quota phase out. It sought to build capacity to develop appropriate responses to these challenges in the form of a sector action plan, which the industry, in partnership with the government, could implement to prepare for 2005.

The objective in Kenya was to enable an action plan that would ensure that the garment factories operating in Kenya would continue to operate profitably, and that new ones would be attracted to invest in Kenya, after the phasing out of quotas on textiles and clothing, as per the WTO Agreement on Textiles and Clothing.

According to ITC officials connected with the project, the scope of the project was confined to the analysis of the apparel segment to lead to a roadmap for competitiveness in the segment under the post MFA scenario. However, the stakeholders met by the Evalua-

9 [7] Only USD 20,000 reportedly was spent in Kenya. However, ITC project documents do not provide country-wise break-ups and the overall budgets have been used in all multi-country programmes in the evaluation.

tion referred to the issues differently, emphasising the poor state of the domestic textile industry as a key issue for the sector.

The task before the industry stakeholders was seen as designing a medium and long-term roadmap to ensure that the country produces textiles/garments are priced competitively and with export quality. The specific focus in the sector was to enable Kenya to cultivate cotton so as to guarantee supply of raw materials to textile mills, ensure the garment factories operating in the country continue to operate profitably, and new ones are attracted to invest.

Other objectives were: (i) to enhance capacity of training institutions to advise garment manufacturers on market trends, fashion changes and pricing, (ii) to give access to expatriate knowledge to local industry when required; and (iv) to enhance capacity of the KAM to offer necessary trade information and advise on policy and business environment issues.

KAM, as the representative of the textile industry had set up the KAMEA in 2001, to monitor exports under AGOA and address any changes required on policy, regulatory, and production environment issues to relevant authorities. The KAMEA office has been mandated by the Government to certify that exports of textiles/garments to the US under AGOA meet all the requirements. Besides, KAM has the requisite human resources to implement the roadmap.

ITC prepared a study outlining the opportunities and constraints in Kenya's apparel industry, which was placed before the industry stakeholders at a seminar in December 2003. The industry stakeholders elaborated detailed building blocks for a sector strategy for clothing during the ITC-guided workshop.

Among the recommendations that emerged for further actions were:

- A guidelines handbook on required short, medium and long-term steps for ensuring sufficient cotton cultivation, and production of competitively priced textiles with export quality.
- An advisory centre to be built up at KAM, with capacity to offer textile and garment industries such services as sources of raw materials, relevant labour laws, suitable sources of short and long-term credit, etc.
- A standing committee of KAM, EPC and government (Ministry of Trade and Industry) that will advise government on issues to address in relation to improvement of the policy and business environment.

Performance under the five evaluation criteria

Relevance: 4

The project is highly relevant, as the textile/apparel sector industry is an important foreign exchange earner and a major employer in the country. There being several challenges on a strictly MFN basis (assessments of the post MFA market shares indicate that vertically integrated supply origins China, Mexico and India are poised to crowd out other exporters, which were protected under quotas), Kenya stands to benefit from the opportunities under AGOA and other preferential arrangements in textiles and clothing. However, its textile industry has been affected by import liberalisation, and the decline of its cotton production base, which have impacted production capacity in the sector.

Efficiency: 4
The KAM was highly appreciative of the ITC study report as well as of the quality of the workshop by ITC, which was attended by all the important stakeholders in the sector.

Cost-efficiency
According to ITC information, Kenya-related costs were estimated to be nearly USD 20,000 out of the total project outlay of close to USD 95,000. The outputs from the same include a detailed report of the value chain analysis of the sector and inputs to a national strategy for the sector. Given the highly qualitative nature of the products/services, comparisons are made with competitiveness assessment studies by international firms like Gherzi Eastern, Switzerland, specialised in this sector. Gherzi Eastern is known to have assisted the Indian textile/clothing sector in a similar manner, with an engagement fee close to USD 250,000 spanning two years.

Effectiveness: 2
The KAM expects the roadmap to enhance Kenya's competitiveness of cotton fabrics through a vertical integration of the production chain and thus, revive the textile sector in the country.

The Evaluation expresses concern over the 'total indigenisation' concept that seems to have gripped the KAM, which was not only not in line with the focus of the ITC project (ITC did not look at the entire value chain from cotton to clothing and considered even the clothing value chain complicated in itself!). ITC also has concerns over Kenya's competitiveness across various segments – fibre, fabric and apparel.

Therefore, a sector strategy as explained by KAM that seeks such vertical integration, may not bring the desired result, unlesscorroborated through value-chain analysis and establishing those steps in the value chain in which Kenya can be competitive with respect to benchmark competitors. There would be little sense in expanding cotton cultivation without an assessment of the product suitability (long fibre or short fibre), and competitiveness of factory gate prices of Kenyan cotton compared to key competitors. It would be desirable to have comparisons with benchmark competitors in fibre, yarn, fabric and apparel to take up the priorities for indigenisation.

Impact: 2
The implementation of the roadmap will enable a large-scale employment creation in both textiles and apparel sectors. The impact of the project revolves around the formulation and subsequently implementation of the roadmap for Kenya's textiles sector, which involves several factors outside the scope of ITC and even the KAM. However, based on the discrepancies pointed out between ITC and stakeholder perceptions of the scope of

the interventions, and also the Evaluation's concerns on the feasibility of the approach outlined by KAM, the impact of the study on the formulation of a practical and workable roadmap appears limited.

Sustainability and Outreach: n.a.

The project concluded with the submission of the findings. Therefore, there is no sustainability aspect to this project. KAM, as the representative of the textile industry through its members, is the ideal representative of stakeholders that must implement the roadmap, and also address any changes required on policy, regulatory, and production environment issues to relevant authorities. KAM has the required network to widely disseminate the results of this project to its members. KAM also has sufficient membership based resources to commission further such studies as and when necessary.

Annex 5: Stakeholder Analysis by Consultant

Export Promotion Council

The EPC is Kenya's apex organisation in charge of export development. It functions under the Ministry of Trade and Industry, and its activities extend to all aspects of export promotion and development of export competitiveness. EPC is the counterpart institution in several ITC projects in Kenya and has a major role in implementing the National Export Strategy.

The officials at the EPC are well versed with ITC tools and products and have undergone training as a national information point, under JITAP. The officials at EPC expressed reservations about the sporadic, activity-based approach in several projects, which impairs their preparedness to support ITC in the country. It suggested an advance calendar of events to be discussed and jointly agreed, in order to have greater efficiency and effectiveness in projects.

The EPC has been through a reorganisation recently. There were a few (unsollicited) observations by some respondents about the strong influence of personalities and the frictions in EPC relationships with other stakeholders and partners in ITC interventions, which are likely to affect technical assistance programmes due to a lack of harmony. Without delving into specific details, the consultants would like to provide this important feedback to ITC and EPC, in order for them to address the issue and take appropriate steps to address/correct these perceptions.

Centre for Business Information Kenya

The CBIK is Kenya's national Trade Information Service, an entity under the Export Promotion Council. CBIK provides businesspersons a range of trade information, including trade data, publications, reference materials, and also access to proprietary tools and products of international bodies, for example the ITC Product Maps. Most services of CBIK are available as library services on its premises. Active partnerships with CBI, ITC and USAID provide the CBIK with resources to provide its services. CBIK is also one of the notified reference centres under JITAP and stocks a full set of materials relating to the WTO and international trade issues.

The CBIK is well resourced to provide basic information services to its clientele. The library and materials are well maintained, and the Evaluation found the staff to be customer-friendly and efficient. However, the CBIK needs to build its image among the private sector as a competitive and best-in-class TSI, to buttress its low revenues. This will need special skills and new services to be offered by the CBIK.

Kenya Association of Manufacturers

The KAM is the oldest business association in Kenya and has members representing 14 industrial sectors, including textiles, cement, metallurgy and others. Its members include several large-scale manufacturers. It is membership-driven, with 470 members in 2002, a staff of 22, including 10 managerial staff and annual budget of USD 0.3 million.

Its main services include business promotion events in the sectors represented by its membership, lobbying and advocacy, and negotiating with national and regional bodies. KAM is a member of KEPSA, which is the umbrella organisation for private sector organisations in Kenya; Kenya Business Council, which is a grouping of KAM, Federation of Kenya Employers, KNCCI, Eastern Africa Association, EAA; East Africa Business Council, EABC, which is a business association of private sector membership associations in East African Countries (Kenya, Uganda, Tanzania); and RIFF (Regional Integration Facilitation Forum), which is a World Bank/EU funded regional programme to facilitate regional cross-border trade and investments within Eastern and Southern Africa.

Kenya National Chambers of Commerce and Industry

KNCCI is the apex business federation in Kenya, representing several product level and regional associations. Its main objectives are: to promote trade in Kenyan made goods and services locally and internationally, by providing relevant information to exporters and importers; to represent members' interests toward a conducive policy and regulatory trading environment; to provide information to importers on goods and services available in Kenya; and to participate in regional and multilateral issues on behalf of industry. KNCCI is a member of the Joint Industrial & Commercial Consultative Committee, which comprises public and private sector representatives.

Kenya Private Sector Alliance

Kenya Private Sector Alliance (KEPSA) is a network of private sector institutions to jointly deal with national policy and regulatory issues facing the business community. Its activities include lobbying and advocacy for its members on infrastructure, security, licensing, sector policies and regulations that are considered bottlenecks in business operations and development.

KEPSA liaises with member organisations on constraints facing businesses. It also identifies new initiatives requiring donor support, carries out policy research with the support of research institutions like Kenya Institute of Public Policy Research and Advocacy, and disseminates its findings to policy makers and through relevant forums. KEPSA highly expects to be nominated in the National Economic and Social Council that will spearhead implementation of the Economic Recovery Strategy for Wealth and Employment Creation.

Investment Promotion Centre

The IPC is a body that promotes Kenya as an investment destination among international investor community and facilitates entry related clearances. The IPC was set up to provide a single-window service to foreign investors, in securing all approvals to start business in Kenya. This included approvals to set up companies, industrial permissions, and other compliance measures in accordance with specific legislation.

Some foreign companies that dealt with the IPC stated that while the IPC is committed to provide all these services, there are delays in obtaining services through the normal channels, and speed money is often the quicker solution.

ALMACO

ALMACO is a private sector consultancy, providing advisory services and project reviews and evaluations for various clients, including donors. It has been providing logistical and consultancy support besides follow-up on progress to ITC supported projects in Kenya. It is the National Co-ordinator of some ITC supported programmes in Kenya, such as JITAP, EPRP and Executive Forum.

ALMACO offers the secretariat to the Kenya National Committee on WTO and also co-ordinates dissemination of information on MTS developments to the business community (through KAM and KNCCI) and to the Academic community (through the Universities).

ALMACO is an enterprising consultancy that sees the collaboration with ITC as a means to enhance its own skills as a trade support service. It also sees its commitment and professional strengths as the principal differentiator in delivering technical assistance in Kenya. However, being an independent entity does limit its influence with some government TSIs, and raises inter personal issues. There is a good rapport between ALMACO and the Ministry of Trade and Industry and business associations like KAM and KNCCI.

Annex 6: List of Contacts

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