

**Partnership for Market Access;
Towards a Sustainable Market-oriented Horticultural Sector in
Kenya**

The floriculture sector in Kenya

Position paper

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1 Introduction

1.1 Background of the Partnership for Market Access Kenya and The Netherlands

During the World Conference on Sustainable Development (WSSD) held in Johannesburg in 2002 a number of partnership initiatives were launched, aiming at collaborative efforts of governments, private partners, and civil society organisations to reach common objectives in a particular field of interest. They are based on mutual respect and shared responsibility of the partners involved.

The Netherlands has taken the initiative for a Partnership on Market Access through meeting quality standards for food and agricultural products, for which a number of countries showed interest, among them countries in East Africa and Indonesia and Malaysia. With the respective governments of Zambia, Uganda and Tanzania it has been agreed to start a partnership on Horticulture, whereby first priority will be given to phytosanitary issues. Since bilateral development relations with Kenya were restored during the later part of 2003, it has been proposed recently to extend the WSSD partnership to this country.

The main objective of the partnership initiative is to improve access of horticultural products to the markets of Europe and other industrialized countries by enhancing cooperation in the field of quality standards in relation to food safety, the environment and phytosanitary issues. This with the general aim to contribute to increased global competitiveness of farmers, food processors, retailers and traders in developing countries. The co-operation will effectively address poverty in developing countries, sustainable production and consumer concerns.

The specific objective of this study is to develop an agenda for public – private activities in the framework of WSSD partnership program, which address long-term challenges for the flower industry in Kenya. The topics of the agenda need to address issues identified by the major private and public partners and civil society organizations that will affect the continuity of the flower industry in the years to come.

1.2 Approach

The approach in the study consists of the following steps:

1. Desk research: analysis of the current situation and development of a framework for questionnaires.
2. Conduct interviews with various stakeholders of the Kenyan flower industry, both in Kenya and The Netherlands. The stakeholders of the flower industry were identified and grouped in categories, namely:
 - growers / exporters
 - government bodies
 - NGOs
 - Donors
 - Associations
 - Breeders & propagators
 - Input & equipment suppliers and other service providers (auctions/importers).The interviews in The Netherlands were conducted by Mr. Arno Eussen of Fresh Projects, in Kenya by Mr. Chris Mukindia.
3. The results of both activities were analysed by LEI in cooperation with consultants in order to formulate proposals for public – private projects within the framework of the WSSD Partnership Program.

The position paper and the formulated topics for public-private activities will be the input for a stakeholder meeting in January 2005 in Nairobi. The final objective is to formulate concrete and feasible Terms of Reference for action plans formulated by committed partners in the framework of the WSSD partnership program, in line with the WSSD partnership criteria.

1.3 Readers guide

In paragraph 2, a short overview of the current situation in the flower sector is presented. Paragraph 3 addresses the strengths, weaknesses, opportunities and threats of the sector, followed by potential strategies to address the main bottlenecks make use of the existing opportunities in paragraph 4. In paragraph 5 the proposed activities for inclusion in the WSSD public-private partnership programme are presented for further discussion and decision-making during the stakeholders' consultation.

2 Current situation Kenyan floriculture

2.1 Floriculture: one of the main export products of Kenya

Horticultural products are, after tea and tourism, the most important sources of foreign income. Between 1990 and 2000 the Kenyan horticultural exports more than doubled. Because a domestic market for flowers is missing in Kenya almost all floricultural products are exported. In 2003 the export of flowers created an export value of 211 million USD and accounted for 46% of the exported volume and 57% of the exported value of horticultural products.

In the period 1999 to 2003 the floricultural export volume increased by 65% and the value by 128% (Table 1). Therefore it is the fastest growing sector in the country. The main destination of Kenyan flowers is Europe, accounting for 98% of the total flower export. Figure 1 shows the division over the different European countries; the main destination is The Netherlands, followed by the United Kingdom. The main products exported in 2003 are roses (75%), mixed flowers / bouquets (10%), others (15%). Between 2002 and 2003 rose exports increased by 13% (Source: Horticultural Crops Development Authority).

Table 1 Development of Kenyan flower export volume and value between 1997 and 2003

Year	Export Volume (Kgs)		Export Values (Kshs)	
	Flowers	Percentage change	Flowers	Percentage change
1997	35,853,008	N/A	4,900,038,032	N/A
1998	32,513,385	-9%	5,913,958,797	21%
1999	36,992,145	14%	7,234,604,240	22%
2000	38,756,660	5%	8,350,538,128	15%
2001	41,396,011	7%	10,626,892,348	27%
2002	52,106,697	26%	14,792,301,822	39%
2003	60,982,885	17%	16,495,531,185	12%

Raw Data source: Horticultural Crops Development Authority

Within Europe about 65 percent of the exported flowers are exported via the Dutch flower auctions. These could be either via the ‘auction clock’ or via ‘direct marketing’. The share of direct marketing is increasing because Kenyan bulk products are mostly sold to the European supermarkets in big volumes.

About 20 percent of the flowers is sold via ‘direct marketing’ to the United Kingdom, also mainly to big retail organisations. The Dutch auctions are not involved. The exporters concerned have good contacts in the UK because of their English origin. More Kenyan growers / exporters export finished bouquets to the UK. This market segment is expected to increase more, due to the cheap labour compared to Europe.

The other 15% of exported flowers is exported directly, without involvement of Dutch auctions, to other European countries like France and Germany.

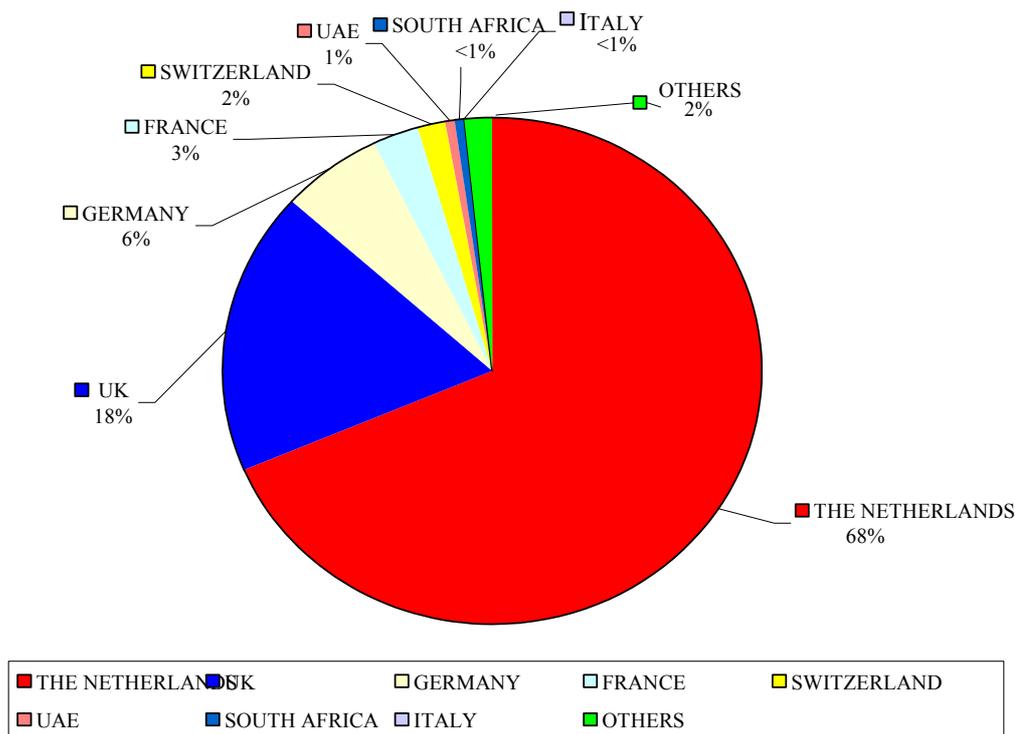


Figure 1 Floricultural export volume to various destinations (Kgs) in 2003 (Source: Horticultural Crops Development Authority)

2.3 Structure of the Kenyan flower industry: four groups of exporters / growers

After The Netherlands, Kenya is the most important supplier of cut flowers to the European Union. The total market share of Kenya at this moment is 7% (Source: Eurostat). In total 140 growers and exporters are producing and exporting flowers on approximately 2.180 hectares. Huge differences between growers are observed on characteristics like scale of production, market access, organization level, technical equipment and access to capital. These differences also determine perceptions on strengths, weaknesses, opportunities and threats of the Kenyan flower industry (see chapter 3).

Based on the export product volume a rough distinction can be made between large, medium and small sized companies. Table 2 shows the shares of these groups in the total export of flowers. A few large companies dominate the export market of flowers. The 24 largest companies (17% of the total number of producers) make up approximately 72% of the total flower export. These large and medium sized companies are mainly owned or managed by Europeans ('Kenyan companies form European origin' and 'European companies' and vary in size from 20 to more than 100 hectare, with a working capacity ranging from 250 to 6000 persons). The total amount of people working directly or indirectly in the floricultural sector is estimated at 100.000 people.

Most of the small companies (range between 5 - 20 ha) are owned by indigenous Kenyans. These companies are mostly involved in less capital-intensive cultivations like open field flowers. Export statistics show that most of them are not exporting year-round. These companies have a high potential for stimulating development, yet they often lack sufficient capital, business know-how and management competence. Besides the three mentioned

groups of growers a new group of entrepreneurs with Asian background is recently entering the flower business, looking for good investment opportunities.

Table 2 Structure and characteristics of the Kenyan flower industry related to product volumes (kgs) in 2003

Group of growers	Number of companies	Total export share (%)	Range export share per enterprise (%)	Average export volumes (million Kgs) per enterprise
Large	3	36.4	10 – 14	7.4
Medium	21	36.0	1 -3.5	1.1
Small	116	27.6	0 – 1	0.15

2.4 Organization and market position

Horticultural companies can be grouped into 5 phases of development: (1) Product oriented, (2) Process oriented, (3) System oriented, (4) Chain oriented and (5) Corporate social responsible oriented (Van Uffelen (2001; fig 2).

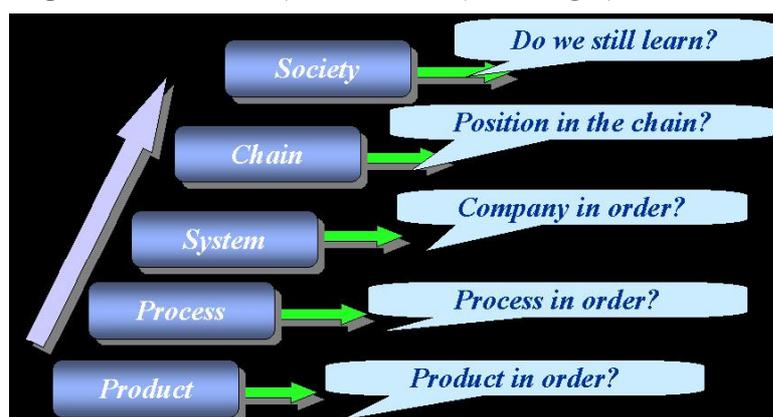


Figure 2 Model of the Totally Quality System

These different phases reflect increasing levels of organization depending on the stage of development of individual companies. According to this model companies can develop in 5 different organisational aspects: (1) leadership, (2) human resource management, (3) supply management, (4) process management and (5) goals and company policy.

Large and medium sized companies: easy access to capital, knowledge and marketing infrastructure.

Most of the large and medium sized companies are owned by Kenyans of European origin and Europeans. Their operations are mostly **chain or system oriented** with serious attempts currently being made to reach the **corporate social responsible level**. These companies are either owned or managed by Europeans and benefit significantly from the knowledge of the owners or managers, access to foreign capital and contacts in Europe. Generally these companies are financially stable. The owners or managers have a very clear understanding of floricultural production, innovations and marketing challenges. These companies have the knowledge and size to be able to sell their products via ‘direct marketing’ to big retail channels in Europe.

Small sized companies: lack knowledge, capital and connection to networks

The majority of the small sized companies, mostly owned by indigenous Kenyan growers, are **process and system oriented**. A few well-organized companies have a clear chain orientation. The companies show a mixed performance with some doing well, while others have gone bankrupt. The availability of EIB¹ funds, targeted for export oriented investment and the theoretical rate of return of activities in the floricultural business, was the main motivating factor for most of these exporters to get into this business. The owners often have limited experience in the floricultural sector. The production, marketing infrastructure and management structure selected are often inadequate. Those that have succeeded are ones that have been able to create competent production teams with the backup of qualified consultants. The small companies enjoy limited trust by their European buyers, the finance is not easily available and when available the conditions and interest rates are punitive. These companies mainly market their produce through the Dutch flower auctions (clock selling) hence not always optimizing their margins.

In exception the Asian (Kenyan from Asian origin) owned floricultural companies, which only recently entered the Kenyan flower industry, have more easy access to capital; they bring in earned money out of other businesses. They are mainly pulled into the flower industry by the attractive return to investments. The professional competence of the management of the companies is rather weak and the production and marketing infrastructure less efficient.

Sector organizations

In Kenya two export bodies exist: Fresh Produce Exporters Association of Kenya (FPEAK) and Kenya Flower Council (KFC). FPEAK's overall objective is to enhance the competitiveness of its members in the horticultural export market addressing strategic objectives like lobbying for the interests of the horticultural industry in Kenya, providing marketing & technical support and information to its members, promoting member compliance to international standards and administering KENYA-GAP. Ordinary membership is open to small, medium and large horticultural growers and exporters of cut flowers, fruits and vegetables. KFC, an offshoot of FPEAK, deals only with the flower sector and is established as a voluntary organization with the main objective to promote a safe working and production environment in compliance to international accepted norms.

Despite the existence and objectives of these export bodies the flower industry is, according to Kenyan interviewees, still not able to effectively address some of the issues facing the Kenyan flower industry. Not all growers and exporters are member of one of the organisations especially small sized companies and some of the larger companies.

¹ European Investment Bank

2.5 Contribution of Kenyan floriculture to sustainable development

A survey carried out by Institute of Development Studies (McCulloch, 2002) concluded that households in Kenya involved in export horticulture (entrepreneurs, but mainly labourers in production and post-harvest handling) are better off than those, which are not, particularly in rural areas. The results indicated that enabling more households to participate in the sector could substantially contribute to poverty reduction in both urban and rural areas. The current participation of small sized companies in the export of flowers has declined due to both stricter implementation of breeders rights on *Alstroemerias* and decline in market for open field low-value crops (FKAB Felt Consulting, 2002). This has had a serious effect on rural household income in many areas, since the out-grower production was significant during the late 1980's to mid 1990's. KFC introduced two environmental labels: Gold Standard and Silver Standard. A collaboration agreement between KFC and MPS entails benchmarking of MPS-GAP with KFC Silver Standard.

The Kenyan law subscribes entrepreneurs in the horticultural sector to invest in healthcare, safety and other social securities (f.i. housing). In recent years the Dutch environmental label MPS, is extended with social issues. The MPS, KFC and other labels are well known and used by the bigger companies², while the small companies are not always familiar with these labels. Some companies not complying with the standards and not taking the aspects of human rights seriously form a threat to the image of the sector. According to several stakeholders the Kenyan flower industry uses too many labels, leading to higher costs and a lack of clarity to the customers.

The use of (limited) fresh water resources and potential pollution of surface water through the use of pesticides, are the major environmental issues.

2.6 Conclusion

The Kenyan flower industry is growing fast, mainly stimulated by foreign investments, management and knowledge and access to the European market. There is a big difference between large and medium sized companies and small companies. The small companies play a minor role in this business. Without capital and knowledge and network it will be very difficult for local entrepreneurs to enter the sector. Those who are working in the sector (as an employee or entrepreneur) mostly can in general make a good living and enjoy favourable working conditions. Therefore the floricultural sector contributes significantly to poverty reduction. Sector growth will have a significant spin-off to the total employment and Kenyan economy.

² This is also the case for Eurep-GAP and sometimes a fair-trade label like Max Havelaar is used.

3 Strengths, opportunities, weaknesses and threats and trends

Difference of perspective

The reader should take into account that there is a clear difference in perception between the Kenyan and Dutch interviewees on especially weaknesses and threats. Kenyan stakeholders judge the current situation within the Kenyan perspective and its historical development, while the Dutch stakeholders observe them from a Dutch perspective. For example Kenyan stakeholders mark the current situation concerning roads as improved compared to the past, while Dutch stakeholders complain about the bad quality of roads.

3.1 Strengths

Good trading conditions

- Rather simple export documentation procedure
- Tax reductions (duty free imports of major imports and capital goods); although it seems to be rather complicated to receive the tax refunds.
- Being a member of the ACP leading to relatively easy access (duty free) to EU market
- Liberalized foreign currency market and freedom to transfer proceeds
- No difference of government policy towards local and foreign investors

Good infrastructure of the floricultural sector

- Access to good air cargo handling facilities and airport services; adequate cargo space to major destinations
- Besides growers, more European companies like breeders & propagators, flower traders, auctions, input suppliers etc. have settled in Kenya, which contribute to the development of a rather efficient and competitive horticultural infrastructure.

3.2 Opportunities

Production circumstances interesting for foreign investors

- Variety of suitable climates with the possibility to grow a large variety of species through out the year
- For foreign investors, the low production costs form a major reason to settle in Kenya and other East-African countries.

Demand for flowers is still growing

- Besides Europe there are new markets for Kenyan growers to export roses. For instance to the USA there are opportunities for the smaller and cheaper roses of Kenya. Other export-areas are the Middle- and Far East.
- Another opportunity lies in expanding the range of products. Traditionally Kenya is very focussed on roses. There are changes in growing other products for the European market. Examples are Lilly flower, Summerflower, Carnation and Chrysanthemum.
- Producing bouquets especially for the UK market is something to take into account. For example simple bouquets of Roses and Gypsophila are demanded.

Conclusion on strengths and possibilities

The composition of the Kenyan flower industry is very favourable for (foreign) companies to start activities. The attractiveness of Kenya for the international flower industry depends heavily on the internal development within Kenya itself.

3.3 Weaknesses

Range of products too small

Based on expected market developments, mainly foreign stakeholders observe a limited diversity of products, with roses making up 75% of the total flower exports. An increase in the range of floriculture products is required to further development of the international markets. European importing companies like to obtain products on a large scale from a small group of growers. Therefore their business can be well organized. Growers (in a country) are more in favour if they, besides roses, also can deliver other products needed by these importers on a large scale. Especially supermarkets demand mass-products at a low price.

Insufficient infrastructure

Especially foreign investors are raising the various constraints in infrastructure:

- Availability of water: (1) Quality is deteriorating and (2) a competition with other local users
- Besides some good major roads, the feeder roads are in a bad condition
- Shortage on air freight capacity and rising transport cost is expected

Working level of Kenyan staff insufficient

Foreign investors mention the following constraints with Kenyan staff:

- Management capacities of the available employees of Kenyan origin are limited
- The knowledge infrastructure within the country is not strongly developed
- A strong hierarchic thinking by most workers results in a lack of initiative.
- Despite rising labour costs the productivity stays behind

In addition local entrepreneurs have problems in acquiring appropriate technical know-how and lack management experience

3.4 Threats

Limited capital

Access to capital is a major constraint for local entrepreneurs (small companies), because of high interest rates and strict conditions applied by the banks.

Business climate and safety in question

Foreign investors have doubts about the business climate in Kenya. Despite some supportive measurement of the Kenyan government for the entire Kenyan flower industry, import duty exemption for packaging and zero-rated status for agricultural inputs, a observed lack of a specific policy for the development of the flower industry by the Kenyan government contributes to this feeling. The relatively large influence of the labour unions, resulting in rising labour costs and increasing inflexibility is felt as a constraint. Also the deteriorating safety conditions in parts of Kenya are considered to be a constraint for business development. This leads entrepreneurs to look for investment opportunities in neighbouring countries.

Competition of Ethiopia expected

Recently some companies, which are already settled in Kenya, have started investing in Ethiopia, mainly in order to spread risks. Ethiopia is considered to be an interesting location for flower production because the climate conditions seem to be more favourable the active support to the floriculture development by the government and airfreight costs are expected to

be lower. On the other side an efficient logistic and organisational infrastructure still needs to be developed.

Market Access (to Europe) is at stake

Both Kenyan and foreign investors expect the advantages of the Lomé Convention to end in 2008, which leads to uncertainty among exporters and investors. In 2002, the negotiations started on the Economic Partnership Agreements to govern trade between the EU and ACP countries. Based on the fact that the neighboring countries are on duty & quota free access even after 2007, there are high chances that Kenya may also keep favorable conditions. Other constraints mentioned constraining market access:

- Increasing phytosanitary constraints induced by the European Union
- Increasing demands from the European market concerning quality and traceability.
- Consumers in Europe are becoming conscious of not only the quality of commodities purchased but also the quality of the biophysical environment and socio-cultural conditions in the countries of production.
- Dependence on the exchange rates between the Euro, US dollar and Kenyan Shilling. Due to the current favourable exchange rates this point can be judged as an opportunity for the moment. But the development of exchange rates is very unpredictable and very hard to be influenced.

Lower prices for Roses on the European market

Last year there were too many roses on the European market leading to lower prices. Especially Kenya (of all foreign exporters) expanded its production area hugely in 2002 and 2003, which contributed to this overproduction.

Conclusion on weaknesses and threats: some of the mentioned constraints count also for the other East-African countries, but quite some are specifically related to Kenya. It is mainly this group of constraints which determines the long-term performance of the Kenyan flower industry compared to neighbouring countries like Ethiopia.

3.5 Trends leading to vision

A number of major trends in the floriculture sector are observed by the stakeholders. These trends will determine the future perspectives of the partners and are discussed in more detail.

Increasing globalisation and chain orientation

This development may lead to:

- increase in scale – towards growers acting like multinationals: spreading risks and choosing for sustainable environment (supporting government)
- sector becomes more consumer oriented instead of product oriented: trade within the chain becomes more important (service providers)
- increasing interaction between chain partners; increasing importance of participation in (international) networks

Changing demands of (European) customers

This observed trend may lead to increasing:

- Phytosanitary demands
- Quality demands; quality standards
- Logistic demands; volumes, efficiency, in-time delivery, etc.
- Commercial demands; chain agreements, low prices, wide range of products, etc.

In relation to these two trends the Dutch interviewees expect that:

- The number of growers will decline, but the average scale of operations will rise. These large-scale growers will be less interested to buy products from other growers (small growers).
- The product range of roses will shift to other types of flowers with more added value.
- Alliances between Dutch growers (growing mainly specialties) and Kenyan growers (growing bulk products) will increase.
- Increasing diversification of the total product range; i.e. summer flowers, bulb flowers and bouquets of flowers.
- The requirements concerning the production methods will increase.
- Small companies can survive through producing niche-products.

4 Future challenges – towards a public - private agenda

Market Access to the EU: direct and indirect perspectives

From the perspective of the Kenyan flower industry the issue of market access (to the European Union) can be distinguished into ‘direct market access’ and ‘indirect market access’.

Direct market access mainly concerns tariff and non-tariff demands set by the European Union and other demands set by the customers in Europe. Changing tariffs will affect all exporters to the EU (see chapter 3). All stakeholders involved should actively support the official negotiating process in order to prevent a loss of preferential market access. On the short-term and mid-term EU phytosanitary regulations (non-tariff barriers) are expected to play a more constant important role. For all exporters these regulations may have consequences in terms of logistics and administrative costs.

Indirect market access concerns the ‘social acceptance’ of the Kenyan flower industry in Europe and Kenya. Is the Kenyan flower industry able to retain a license to produce or to increase its sustainability (Triple P)? This requires openness towards all stakeholders involved including the local governments and NGO’s. In short the current image of the Kenyan flower industry in Kenya and Europe forms a serious threat towards the future and should be improved. This requires involvement of stakeholders and participation of all exporters / growers.

General perspective: embedding floricultural sector in Kenyan economy

It is observed that the Kenyan flower industry contribute substantially to Kenyan economy. Concerning the issue of market access to the European Union a rough distinction can be made between ‘*large and medium sized companies*’ (large-scale, mainly foreign management and investments,) and *small sized companies* (small-scale and bad access to investment capital and / or knowledge). The level of interaction between both groups of exporters / growers is rather low.

Future dilemmas will not be automatically identical for all groups of exporters / growers. Besides it is important to realize that ‘large and medium sized companies’, generally, have better access to European infrastructure and market networks. These companies are much less dependent on the performance of the local exporters than visa versa. With easy access to foreign capital, knowledge and international markets, these large-scale companies are able to benefit from the attractive business environment within Kenya. But on the long-term this situation implicates a threat as well. The entire Kenyan flower industry should anticipate actively on the increasing demands of European customers and improve the social acceptance within Kenya. Besides quality aspects, this also requires a good performance on aspects concerning preserving the environment and working conditions. Otherwise the the image issue, both within Kenya and in Europe, will become more and more important.

Towards public – private activities

Within the framework of WSSD partnership program projects should be formulated which contribute to the improvement of access of horticultural products to the markets of Europe and other industrialized countries by enhancing cooperation in the field of quality standards in relation to food safety, the environment and phytosanitary issues. The activities are envisaged to also effectively address poverty in developing countries, sustainable production and consumer concerns.

From this point of view projects could be formulated in a broader perspective, concentrating on:

- Establishing a sustainable floricultural sector, regarding Triple P aspects (People, Planet and Profit): f.e. work conditions, employment and development of local people, environmental safe production (water quality, use of pesticides, etc) and competitiveness.
- Improving social acceptance of the flower industry in Kenya: investments in local people, interaction between ‘large companies’ and local entrepreneurs.
- Where possible, increase the accessibility of local exporters / growers to the export markets. This includes knowledge transfer and education, connection to marketing networks and development of niche-markets. The big exporters / growers judge the development of niche-markets as (1) important for the future development of the Kenyan flower industry and (2) a possibility for small sized companies to enter the export market. In this respect interaction between both groups of exporters / growers could lead to a win-win situations.
- The agenda for public - private activities requires input from all partners concerned: private sector (foreign companies, local entrepreneurs, sector organisations) and the public sector (Kenyan and Dutch government). On the one hand the Kenyan government is challenged to outline, in cooperation with the sector, a clear policy concerning the future development of the Kenyan flower industry, within the perspective that this sector contributes significantly to the Kenyan economy (export) and provides employment to the local people. Issues concerning the infrastructure, local taxes, safety etc. could be addressed to the Kenyan government. On the other hand the ‘large and medium sized companies’ are challenged to invest in local people and the environment; i.e. sustainable floricultural sector. Investments from both sides will create a sustainable business environment for both foreign and local companies and will contribute to the development of the local people involved, resulting in improved facilities for local entrepreneurs to start their own business or work in a economic sustainable sector, with a lot of possibilities for increasing the employment.

These aspects are integrated in proposals for public – private activities, which are formulated in chapter 5.

5 Suggestions for public-private partnership activities

5.1 Criteria for public – private activities

The following selection criteria are suggested for identification of public-private partnership activities:

- Commitment (financially, persons) and high priority by a wide range of public and private stakeholders in the sector
- Expected positive impact on market access 3-5 years
- Active participation of public and private stakeholders
- Spin-off impacts on national and regional market development and poverty reduction
- Contribution to long-term and sustainable development of the sector concerning People-Planet-Profit
- No overlap and where possible linkages with existing projects and activities

5.2 Business plan for agricultural education: technical and management training

Objective:	Development of a business plan and gearing up a practically oriented agricultural training program, with a focus on market and business developments, participation in international chains, knowledge transfer about international quality standards and phytosanitary regulations, etc.
Problem owner(s):	Kenyan and foreign producers and exporters, Dutch importers (all stakeholders in the flower sector)
Background:	<p>Most stakeholder interviewed mentioned the bottleneck regarding the availability of skilled, Kenyan manpower with a hands on attitude for higher management positions.</p> <p>The purpose of better training facilities for technical and management skills, capacity building, is to increase labour productivity, increase the participation of Kenyans at management positions in ‘large enterprises’ and increase the level of entrepreneurship among Kenyan growers.</p>
Target group(s):	<ul style="list-style-type: none"> • Current and future farm managers and supervisors of large businesses • Current and future managers of service providers • Commercial farms, exporting companies, producers’ organisations
Preconditions:	<ul style="list-style-type: none"> • Close cooperation between Kenyan and Dutch government, existing educational institutes, international business partners and Dutch training centres on the content and organization of the training course • Contribution of the large scale enterprises in the Kenyan flower industry to the content of the program • Compliance with needs and requirements of large scale, globally operating flower companies
To be implemented by:	Yet to be decided
Linkages to existing projects:	<p>Various vocational and other training programs have been implemented or are under execution in Kenya.</p> <p>This new and yet to be developed training course should have a distinct target group of managers and should have added value.</p>

5.3 Re-orientation of Kenyan export and sector organizations in a changing market

Objective:	Initiate an interactive round-a-table process to improve the performance of Kenyan export and sector organizations in order to better facilitate and support the transition to a more competitive and sustainable flower sector.
Problem owner(s):	Kenyan producers and exporters
Background:	<p>Despite the existence of full-fledged producer / export bodies the flower industry is still not able to jointly address some of the issues challenging the future of the Kenyan flower industry. These issues such as mentioned in the SWOT analysis are - amongst others - infrastructure, airfreight costs, access to capital, government services, costs of utilities (electricity and communication) and taxes and levies.</p> <p>Apart of the lobby functions these organizations could also play a more prominent intermediate role in:</p> <ul style="list-style-type: none"> • Market intelligence in particular for (medium and small scale) exporters / growers; • Addressing aspects of corporate social responsibility such as environmental issues and labour conditions • Joint promotion campaigns and exploring and developing new markets • Generic sector Public Relations (PR)
Target group(s):	All stakeholders
Preconditions:	<ul style="list-style-type: none"> • Contribution and commitment of all stakeholders • Inclusion of relevant Dutch experiences with vertically and horizontally organised sector organizations such as Commodity Board for Horticulture ('Productschap Tuinbouw' and 'Bedrijfsschappen') • Activities should have additional and clear cut objectives; output funding rather than input funding
To be implemented by:	Yet to be decided
Linkages to existing projects:	

5.4 Compliance to international quality standards and phytosanitary regulations

Objective:	To develop a stakeholders' platform to address issues on quality standards and EU phytosanitary regulations
Problem owner(s):	Kenyan producers and exporters
Background:	<p>Kenyan producers (smallholders as well as large companies) face increasing difficulties to fulfil customer and market requirements with regard to quality and safety. Increasingly producers face difficulties to comply with the array of public and private quality standards. According to interviewees there is lack of knowledge and information and technical equipment is insufficient. Effective knowledge transfer within the sector can possibly address this constraint.</p> <p>The following aspects should be addressed by the platform and jointly tackled in follow-up activities:</p> <ul style="list-style-type: none"> • How to maintain the 'license to produce'? • How to reach medium- and smallholders? What to do with 'drop-outs'? • How to organize effective knowledge transfer? Who should do what? • How to make use of available information and experiences of large enterprises?
Target group(s):	Kenyan producers and exporters
Preconditions:	<ul style="list-style-type: none"> • Willingness of all stakeholders in the sector to participate in platform and share and exchange their knowledge • Introduction of clear cut market standard (MPS A, B, C, MPS GAP, Florimark, FFP, KFC Gold Standard, KFC Silver Standard and others) • Certification organizations and owners of certificates should be involved.
To be implemented by:	Yet to be decided
Linkages to existing projects:	On phytosanitary issues experiences in neighbouring countries should be taken into account

5.5 Co-innovation program for research and development of niche-markets

Objective:	To investigate the possibilities of establishing a co innovation fund for applied research and business development for niche products and markets
Problem owner(s):	Dutch importers, foreign producers and exporters
Background:	<p>Dutch interviewees consider the strong focus of the Kenyan flower sector on roses as a relative weakness and even a threat. A sound strategy for diversification should be developed including small enterprises.</p> <p>In order to remain in business the flower sector should intensify the development of niche-products, but this is mainly interesting for smallholders. Bulk production of roses will only be profitable in large-scale companies.</p> <p>The development of niche-products requires specific knowledge and technology, market intelligence and contacts and capital. Eventually large companies will also benefit from diversification, but according to some Dutch stakeholders they appear to be not interested in developing niche products themselves.</p> <p>By facilitating cooperation between large and small, start up companies, for production of niche products, a win-win situation could be attained.</p>
Target group(s):	All stakeholders of the sector
Preconditions:	<ul style="list-style-type: none"> • Willingness to share information and contacts • Projects should be small sized and application procedures should be transparent and have a low administrative burden • This co-innovation fund should have distinct features as compared with the PSOM program for emerging markets.
To be implemented by:	Yet to be worked out.
Linkages to existing projects:	

Annex 1 Literature

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- Arkesteijn, M. , Met bloedgroep als Columbus redden kwekers het in Afrika, Bloemenkrant, 2003
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- IFAD, The Republic of Kenya. A review of agricultural marketing. The International Fund for Agricultural Development, May 2004

Interviews

Several interviews with Governmental bodies, NGO's, growers, exporters, donors, associations, breeders, propagators, input & equipment supplier and other service providers (Dutch auctions / importers) in Holland and Kenya.