Programme Completion Review—DFID Kenya's Business Services Market Development Programme (BSMDP)

By DAI

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Building Service Markets for the Poor within a Subsector Framework

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(The views expressed in this report are those of the consultant and do not necessarily reflect those of DFID.)

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Acronyms and Glossary

AGRA	Alliance for a Green Revolution in Africa
BDS	business development services
BSMDP	Business Services Market Development Programme
BSPS	Business Sector Programme Support Project
CAIS	Central Artificial Insemination Service
CAVEI	Cardiff and Vale Enterprise International
DFID	Department for International Development
FPEAK	Fresh Produce Exporters Association of Kenya
GFA	Gesellschaft fur Agraprojekte Gmbh
GOK	Government of Kenya
HCDA	Horticulture Crop Development Authority
ICT	information and communication technology
KBC	Kenya Broadcasting Corporation
KCC	Kenya Co-operatives Creamery
KDB	Kenya Dairy Board
Ksh	Kenya shilling
LDC	lesser developed country
MESPT	Micro-Enterprises Support Programme Trust
MSME	micro, small, and medium-sized enterprise
MW4P	making markets work for the poor
OVIs	objectively verifiable indicators
PMC	Programme Management Committee
PMO	product marketing organisation
QMS	quality management system
SMART	simple, targeted, measurable, attributable, realistic and targeted
SSA	subsector approach
VCA	value chain approach

Glossary of key terminology

Several key terms used throughout this document are briefly defined here, though they can all be the topics of much larger discussion:

1. The ***Market Development Approach*** **(MDA)** focuses on using the markets as the main drivers for developing small businesses. It requires understanding the markets for the supply of services to small businesses (supply and demand) to determine the market failures that are preventing the development of a commercially viable supply of services to those firms that can use the services, and are willing to pay for the services, to enhance the commercial viability of their businesses. The MDA seeks to use local service providers to deliver all needed services, without major intervention from projects and external forces.

2. A ***facilitator*** within the MDA is an external agent whose role is to help identify the market failure and then facilitate the introduction of tools and services to support the supply of appropriate product (both in terms of price and quality) or to enhance demand by the consumers for the products, thereby eliminating the market failure. The role of a facilitator should be short term and should end once it has helped to unblock the market failures and to establish viable commercial relations between the buyers and suppliers of services.

3. A ***supra-facilitator*** is an actor that is two steps removed from the value chain, but who funds and directs the facilitators, often through subcontracts or grants. The role of the supra-facilitator is to develop the overall strategic framework, drive the strategic intervention design, build wider collaboration and networking and facilitate an increased replication and scaling-up of the activities and models that were developed under the project. Its roles also include the capacity building of facilitators, donor and intervention co-ordination, knowledge management and impact analysis.

4. A ***Product Marketing Organization*** (PMO) is a commercial service provider who focuses on helping producers to intermediate the sale of their product to an exporter or other major consumer by guaranteeing the quality of their product to the buyer. The PMO generally assists the producers to increase the quality of their product, as well as to help the producers get a better price from the buyer. While never actually taking ownership of the product, the PMO receives payment in the form of commission from either the producers or the buyers.

5. A ***Service Provider*** can either be an external provider of business development services into a value chain or a direct actor within the value chain which fulfils a function of connecting the different actors who actually take ownership of the product. A service provider derives his income by delivering a (hopefully) commercially viable service into the value chain and is a direct participant in and beneficiary of the growth of the value chain. Great care should be taken to not confuse a “facilitator” with a “service provider”.

Executive Summary

The Kenya Business Services Market Development Programme (BSMDP) introduced a new approach to sectoral development with a strong focus on making markets work for the poor (MW4P). It was conceived as a first generation business development services (BDS) programme to focus on promoting sustainable business services to strengthen the competitiveness of small businesses in targeted subsectors with strong poverty. But over its five year life, it evolved into a broader MW4P programme taking the work with business services to develop strong links into the policy and regulatory climate to improve the functioning of the markets.

BSMDP (2003-2008) was based on preliminary research, carried out in 2001, that pre-selected export horticulture and dairy as subsectors with (1) strong growth potential, (2) which involve large numbers of economically active poor Kenyans, and (3) where improved provision of business services could improve the efficiency of the subsector to the benefit of the target beneficiaries. The initial analyses laid out the structure of the subsectors, identified the main factors constraining future growth opportunities and recommended strategic activities for the programme to pursue to address those constraints. Subsequently, the programme added the media as a third area of concentration to try another approach to bringing information to the stakeholders in a cost-effective and sustainable manner.

OUTPUT TO PURPOSE

The programme purpose was "*increased competitiveness of micro, small and medium-sized enterprises (MSMEs) through access to new markets and improved technologies, including piloting vertical linkages*", which was to be measured by the "*overall growth in selected subsectors, focusing on pro-poor channels*". The programme proceeded to do just that. By funding activities highlighted in the subsector analyses to address key structural constraints, the programme played a fundamental role in the development of both of these subsectors. BSMDP used strategic and technical inputs to address the constraints that had been identified at all levels of the value chain that were restricting the growth potential of the subsectors—from the regulatory framework to firm-level services. It addressed not only building markets for the services supporting small businesses, but also used business service principles and tools to help improve the overall regulatory environment and open up new markets in both subsectors. This systemic approach brought greater impact than if the programme had focused solely on the services to small businesses.

From a purely statistical standpoint, the two target subsectors, dairy and export horticulture, grew tremendously during the programme. This was due in part to the overall growth in Kenya during this period, but there is strong evidence that project initiated activities contributed actively to the improved enabling environment that is driving the growth.

DAIRY.

In dairy, the production of milk increased from 2.5 billion litres in 2001 to 3.8 billion litres in 2007, while the marketed quantity increased by about 700 million litres during this time. Of this latter amount, 430 million litres were estimated to have been in the raw milk channel, worth between 7 billion and 10 billion Kenya shillings (Ksh) to the producers. Much of this growth is attributed to the legalization of the raw milk channel, as well as to the re-dynamization of the processed milk channels. BSMDP's activities contributed significantly to both.

With respect to the formal dairies, BSMDP activities focused on addressing all aspects of the value chain to enable increased production for sale to the dairies and enhanced the profitability for small producers. They drove initiatives that improved the quality and regularity of commercial supply of semen for improved breeds to small farmers, improved and expanded the stocking and delivery of essential inputs (feed and medicine) for dairy farmers in rural agro-input retailers, and improved transportation and handling of the milk. BSMDP also created model milk producing associations around cooling stations that enhanced the consolidation of milk and created significant synergies to improve access to all of the needed business services by introducing a check-off system to pay for the services. These embedded credit programmes have greatly increased the efficiency of the value chain and enhanced the growth of the subsector.

With respect to legitimising the informal sector, BSMDP concentrated on improving the safe handling of raw milk by informal traders by developing a network of trainers to deliver quality training programmes for the traders. BSMDP was subsequently able to engage with the Kenya Dairy Board (KDB) to demonstrate that this training could ensure that raw milk could be handled safely and secured the KDB's buy-in to recognize trained traders. BSMDP then supported KDB to introduce a system for licensing trained informal traders in five districts and brand the KDB quality assurance programme, before rolling out the system nationwide. By providing a mechanism for legalizing the activities of up to 40,000 milk traders, BSMDP has secured a necessary market channel for hundreds of thousands of small farmers.

EXPORT HORTICULTURE

Kenya's exports of horticultural vegetable products grew from 4 billion Ksh in 2001 to 26 billion Ksh in 2007, bringing significant economic benefits to about 100,000 Kenyan farmers. The main challenges facing the small farmers in the industry were being able to respond to increasing quality demands from the end market (represented by EurepGAP standards) and the threat of lost access to the European market because of trade agreements. BSMDP provided not only critical interventions to stimulate the introduction of good agricultural practices to small Kenyan farmers that improved their productivity and quality and got them recognized (certified), but played a critical role in strengthening the capacity of the industry to participate in and help negotiate the "interim agreement" with the EU for preferential horticultural imports. This latter kept the European market open to Kenya's exports, while the former helped ensure that the exporters could take advantage of the opportunity.

BSMDP's quality improvement activities started with developing appropriate services for and training of smallholder farmers in quality management standards. This meant developing the materials needed to train farmers and then to create a cadre of trainers to bring the quality up to standard. At the same time, BSMDP helped establish a commercially viable local certifying organisation able to provide certification services far more cost-effectively to smallholder farmers than international providers, making the certification more accessible. Both of these activities benefited from embedded service arrangements between buyers and farmers, where the guaranteed market access stimulated the uptake of the services.

BSMDP's assistance to the Fresh Produce Exporters Association of Kenya (FPEAK) was highly strategic. Starting with the funding of its strategic plan, BSMDP provided regular support to FPEAK to undertake a series of activities helped focus and improve its services to its members, improve its status with the industry stakeholders, increase its financial sustainability, and enhance its role as an advocacy body. BSMDP played a critical role in assisting FPEAK to increase its income (and sustainability) by supporting a membership drive (adding 40 new members) and by helping develop its magazine and regional trade fairs into net income generating activities. These have strengthened the institution and improved its services, greatly expanding and enhancing the sustainable distribution of information to industry stakeholders. These activities have helped enhance FPEAK's role as a supporter and driver of the export horticulture industry.

MEDIA

In media, DFID invested 500,000 euros, complemented with another 800,000 euros from Danida (the Danish International Development Agency), to develop a series of interactive radio "magazine" programmes that are now reaching millions of rural households across the country with appropriate information in local languages. Most of the radio programmes are now commercially viable and have introduced to Kenya a new way of thinking about "market information systems". This has assisted not only the dairy and export horticulture subsectors, but all other subsectors of interest to Kenyan farmers as well, especially maize, nuts, and fisheries. It has also increased interaction between input suppliers and markets.

THE BSMDP'S METHODOLOGY

The programme applied a "market facilitation" approach, whereby its activities concentrated on identifying potential markets for services and developing both the demand and the supply sides of the equation, and then awarding grants to address the market failures in these areas. Given the very light structure of the programme (only one expatriate adviser supported by a Kenyan deputy), after some initial forays into supporting small activities with small grants, the programme rapidly moved toward larger grants supporting stronger implementing partners. It thus became a "supra-facilitator", with the grants going to support stronger "market facilitators".

KEY LESSONS LEARNED

Programmatic aspects. The subsector approach brought a systemic perspective to the programme's activities, providing a strong conceptual framework to growing entire sectors and reaching large numbers of beneficiaries. It entailed very thorough preparation, starting with a good understanding of the key issues governing the subsectors and continuing through to well-conceived individual activities. Some key programmatic lessons learned included the importance of (a) ensuring that the enabling environment is right; (b) clarifying the markets and market failures that are being addressed to maximise growth; (c) recognising the importance of rural labour, not just MSMEs; and (d) managing the entire subsector, understanding the relationships and interactions at all levels.

Market development. Markets are always on a development continuum; therefore, the supra-facilitator must modify the types of activities under a programme over time to address changing needs as the markets experience their various phases of development. In weak market environments, the programme must recognize that good service providers may need to offer many products to become profitable.

Implementation and programme resources. The BSMDP suffered from a lack of flexible resources. With only two staff members and grant funds at its disposal, it had difficulty carrying out all the analysis and management needed to apply the market facilitation approach. Flexible financial resources to fund research to structure activities, conduct programme monitoring and evaluation, and procure programme managers would have improved the BSMDP's operation and impact. Good market facilitators are rare and resources are needed to develop them. Finally, peer evaluation and interaction is critical on innovative projects to keep information flowing and to review progress.

Challenges for the next generation of MW4P projects. The BSMDP evolved into an innovative, first-generation MW4P programme. In anticipation of second-generation programmes, three key challenges are (a) how to take market development to the next level and get the actors in the market to drive the process; (b) how to expand beyond business services, integrating value chain finance more overtly into the programmes; and (c) how to integrate portfolio management tools for the supra-facilitator to refine decisions on activity investment.

I. Introduction[1]

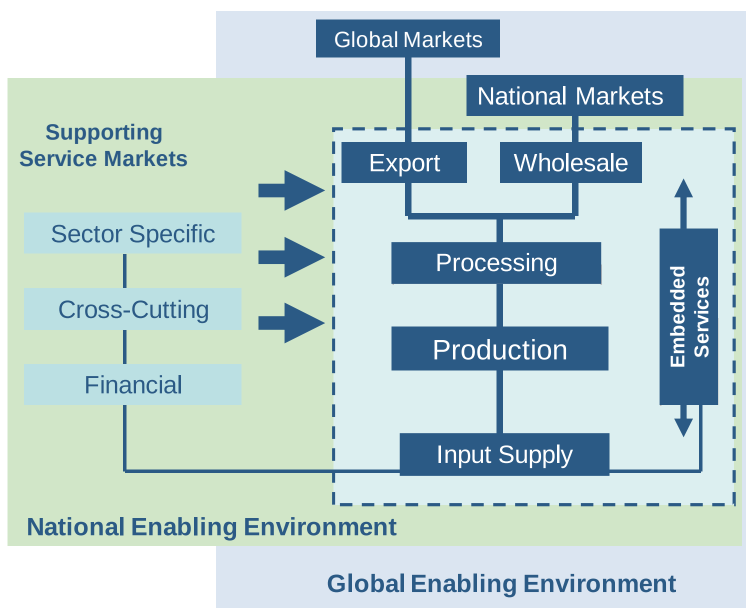
The Kenya BSMDP was a cutting-edge programme when it was conceived in 2001. Its focus was on developing business development services (BDS) and the role that they could play in stimulating sectoral growth with a strong pro-poor focus. The programme, which ran from 2003 to 2008, was one of the first of its kind to take a subsector implementation approach while focusing on business services. It started with analysing the subsector and then choosing activities that could have an impact on sector growth (without initially setting explicit targets, or a road map, for the growth of the sector). The design was more heavily focused on identifying areas where there could be impact, then allowing the programme implementers the latitude to determine the specific interventions that would achieve the impact.

In implementation, the BSMDP selectively focused on developing viable service providers in key areas while still taking a holistic approach to addressing key constraints in the subsector. It worked with service providers to address business and policy constraints at the global enabling environment, the national regulatory framework, or the wide range of business services in each of the subsectors. As it expanded beyond business services, BSMDP moved in to a second generation Making Markets Work for the Poor (MW4P).

INTRODUCING THE SUBSECTOR/VALUE CHAIN APPROACH

In targeting subsectors, the programme applied a systemic analytical tool that helps to understand the dynamics within a subsector. The subsector approach (SSA), which is very closely related to the value chain approach (VCA)[2], starts with the markets, both global and national, and works its way back to the producers. It builds on the fact that all actors along the value chain are linked and that problems at one level have repercussions for all. Most subsectors consist of multiple channels through which product flows to different market segments. The approach recognizes that the economically active poor usually

FIGURE 1: VALUE CHAIN APPROACH



[1] William Grant, from DAI, was commissioned to undertake the programme completion review (PCR) for the Business Services Market Development Programme (BSMDP). This review was carried out between May 17 and May 31, 2008. The consultant received excellent cooperation from a wide range of stakeholders during the process, from DFID (Frank Matsaert and Tim Lamont) to project management and consultants (led by Kevin Billing), Danida, the grantees, many of the beneficiaries, trade associations, and government officials.

[2] USAID has been doing substantial development and documentation on the value chain approach. For good background material, see "Value Chain Approach to Poverty Reduction: Equitable Growth in Today's Global Economy," USAID Accelerated Microenterprise Advancement Project BDS IQC, 2007.

operate in different market channels from the more dynamic, higher-value firms. Their skills need upgrading to allow them to integrate into the more dynamic market channels.

Because DFID's focus on the SSA is to improve the impact on the economically active poor, it seeks to make the markets work for the poor (MW4P). The SSA recognizes that:

- All subsectors are global and are linked to international markets from a competitive perspective, whether or not a commodity is exported. Globalization of markets ties the sustainability of small firms to the competitiveness of industries, so we must look at the markets as the starting point.
- Subsectors and all the elements and actors therein operate within an enabling framework that is both national and global.
- All firms operate in a system characterized by enterprise linkages, both vertical as well as horizontal, and effective coordination of those linkages will enhance efficiency and competitiveness.
- There are driving forces or institutions which govern the development of the subsectors.
- Supporting service markets are critical to upgrading the skills and services being provided to lead to overall growth; these markets include some that are sector specific, as well as others that are more generic and reach a much broader audience.

Therefore, the economically active poor will have greater opportunities to improve their incomes and economic performance if they are linked into growing markets. Proper application of the methodology identifies the opportunities for and constraints to growth in a particular industry and takes the additional step of identifying the factors that drive firms' behaviour in markets to identify. The BSMDP concentrated its efforts on the last bulleted point above—developing supporting service markets—but sought to effectively apply them at all levels of the value chain to remove constraints and take advantage of opportunities.

PROGRAMME DEVELOPMENT

DFID's approach to developing the programme was quite thorough. The initial programme memorandum, drafted in February 2001, emphasized that:

- DFID's resources should be focussed on a limited number of subsectors;
- The selected subsectors should have the potential for impacting large numbers of poor people;
- There should be a focus on business services, though not necessarily exclusively; and
- Interventions should facilitate the improved functioning of the market for business services rather than distort it.

DFID commissioned a series of studies from a firm specializing in subsector analysis to review the entire Kenyan agricultural sector and to advise DFID on those subsectors which would have the greatest potential for impact on the rural poor where there was a strong role for BDS in attaining that potential. The consultants worked closely with a DFID advisor and the Livelihoods

Team within DFID to provide an overview of the entire agricultural sector, from which the top candidate subsectors would be identified for further analysis.[3] Following presentation of the findings of this overview, the DFID Livelihoods Team selected three subsectors for more in-depth review: dairy, green beans, and beef. Following the completion of the three subsector studies[4], DFID selected dairy and green beans as the focal subsectors for the programme. The rationale for the selection of these two subsectors was:

1. The size of the subsectors, including their sales value and number of participants, especially the economically active rural poor, primarily as smallholder farmers but also as employees of firms in rural areas:

- The green bean sector had approximately 100,000 people employed among smallholder farmers and was worth about 8 billion Kenya shillings (Ksh) per annum;
- The dairy subsector had 625,000 smallholder farmers, and the total value of marketed milk, at the producer level, was about 22 billion Ksh.

2. Growth potential, taking into consideration both national and international market opportunities:

- The market for horticulture products is a growing industry globally, and Kenya had proven its ability to compete; thus, there was strong potential;
- Kenyans have a strong marginal propensity to consume dairy products.

3. The potential for the programme to have an impact using a BDS approach:[5]

- Green beans (and export horticulture) include many different services (such as input supply and spraying services) in order to produce products competitively;
- The increasing productivity of dairy farming and its integration into the market requires a vast array of different services, from feed to artificial insemination and clinical services at the production level to transport, licensing, and quality control at the marketing level.

Following lessons learned in Uganda on the potential for the media to have a positive impact stimulating information services for the economically active poor, and the need for such services in the BSMDP, a media component was added to the programme at the end of 2004. This component would complement the focus on the two subsectors and resolve the BSMDP's identification of the limited commercial provision of agricultural information to the rural areas. The component would focus on identifying whether there was a potential market for such services, identifying and addressing any market failure.

DFID's tendering process then took more than a year to finalize the terms of reference, issue the request for proposals (in June 2002), award the project, and start up the implementation (in April 2003). Cardiff and Vale Enterprise International (CAVEI) was selected to implement the project,

[3] ECI: "DFID Kenya Subsector Analysis: Agricultural Overview and Subsector Selection", August 2001.

[4] ECI: "Kenyan Beef Subsector, Kenyan Dairy Subsector, and Kenyan Green Beans Subsector", September 2001.

[5] It is important to note that the coffee and tea subsectors, which have the largest numbers of rural participants and strong growth potential, were excluded because of concerns surrounding the regulatory environment and the ability of the programme to have an impact.

in conjunction with Gesellschaft fur Agraprojekte Gmbh (GFA). Despite the 18-month delay between completion of the subsector studies and the start-up of the project, the subsector studies, which had focused on the big-picture issues affecting the growth potential of the subsectors and on linking the poor into that growth potential, still remained very valid.

In February 2007, DFID signed a memorandum of understanding with Danida (the Danish International Development Agency) to blend the BSMDP with Danida's Business Sector Programme Support (BSPS) Project, adding ₤730,000 in grant funds to the programme budget, leveraging the existing management capacity.

IMPLICATIONS FOR OVERALL PROGRAMME EVALUATION

In evaluating the BSMDP, it is critical to place the potential for economic improvement and growth of the poor within the broader economic context: if the overall economy (or a targeted subsector) is not growing, the poor will have fewer opportunities to benefit. Therefore, working in growth sectors is important. When the programme was designed in 2001, Kenya's economy was, in fact, stagnant and the markets for domestic products were not vibrant. The initial two focal subsectors were selected, as indicated above, because of the importance and potential they offered to large numbers of the rural poor. However, both subsectors faced numerous constraints to their future growth, especially to keeping smallholders and the economically active rural poor involved, which the BSMDP could not ignore if it was to be successful in using business development services to increase the growth of the subsectors.

Kenya's horticultural exports, while growing, were, in general, facing threats from several fronts: increasing competition from other countries (Morocco, Zimbabwe, Uganda, and Tanzania); changing conditions within the European market[6] regarding health and consumer safety, environmental, and social factors; and the impending loss of Kenya's LDC (lesser developed country) status in 2008, which would add significantly to the landed cost of produce in Europe (greatly affecting the possible producer prices). On top of this, trends within Kenya were showing increased consolidation of the industry, to the detriment of smallholder producers who were not able to meet the increasingly stringent EU requirements.

At the same time, the dairy subsector had survived the radical contraction of the formal dairy industry with the virtual collapse of the Kenya Co-operatives Creamery (KCC) in 1991. During the 1990s, a vast network of informal traders developed to transport raw milk to meet the demand in urban markets. The raw milk was both less expensive for local consumers to purchase (the price delivered to the home was half the cost of pasteurized milk purchased in stores) and more accessible. This informal sector controlled about 80 percent of the entire industry, but the formal actors (the dairies, supported by their major supplier, Tetra Pak International) were pushing for stronger enforcement of regulations to ban the informal trade of milk.

Given the larger issues facing the two identified subsectors, it is clear that both had the potential to lose their dynamism as drivers of economic growth and, hence, sources of economic activities for the rural poor. The role of the BSMDP has played out within this context.

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6 Health and consumer safety (pesticide residues and traceability), environmental (water conservation and environmental protection), and social (wages and worker safety).

II. Review of Programme Impact from the Indicators

Over the course of the programme, the logical framework (log frame) was revised numerous times, with the final version completed in 2007 and accepted by the steering committee[7].. This evaluation will present both the revised logical framework that the programme finally produced, in the fourth year of operations, as well as the original log frame, which is the official one in DFID's system. The major changes occurred in the rewording of the purpose (from simply focusing on increased transactions to focusing on increased competitiveness) and in the redefinition of the outputs.

The original programme purpose was "to stimulate business transactions involving poorer households in the dairy and export horticulture sectors". The original outputs were:

1. Effective markets for business services in selected subsectors, through:

- Change in size of markets;
- Diversity, linkages, and competitiveness of markets; and
- Access of underserved groups to business services.

2. Greater inclusion of smallholders and micro and small, and medium-sized enterprises (MSMEs) in the growth channels of selected subsectors.

The simple, targeted, measurable, attributable, realistic and targeted (SMART) framework set as the programme's goal to:

Improve pro-poor economic growth opportunities in key subsectors where the poor are economically active.

Though the definition of the goal was modified to be more specific, the original objectively verifiable indicators (OVIs) for the goal, which focused on "*overall growth in selected subsectors, focusing on pro-poor channels"* were probably the most relevant, as that is where the greatest impact would be felt.

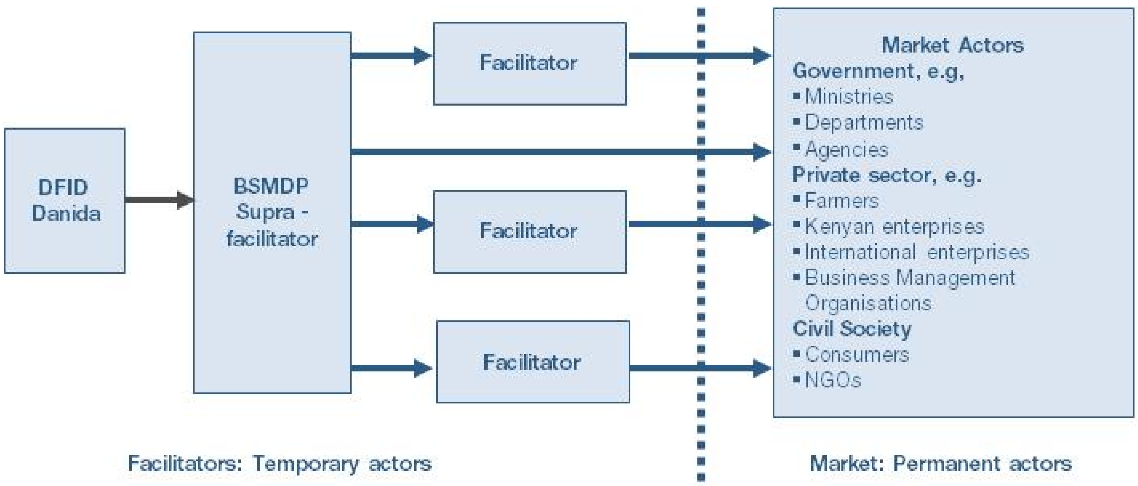
BSMDP Purpose
Increase the competitiveness of MSMEs through access to new markets and improved technologies, including piloting vertical linkages.
Modified Outputs
Output 1: Market mechanisms improved in selected subsectors (dairy, export horticulture, and information and communication technology) through facilitation of sustainable business linkages and the introduction and adoption of new and improved business services.
Output 2: Legislation and laws applied more proactively for the poor and the dairy informal sector.
Output 3: Study report on best practices in MSME market development in Kenya produced and information disseminated.
Output 4: The BSMDP, including Danida programme expansion, effectively managed and implemented.

[7] However, this revised log frame was never entered into the DFID computer files.

PROGRAMME IMPLEMENTATION FORMAT—MARKET FACILITATION

The BSMDP was lightly resourced with staff. The concept was to provide a highly qualified grants manager with an understanding of the sectors within which the programme was working who would provide a series of grants to other organizations to do the implementation. Figure 2, below, provides a visual of the interaction of the different types of partners in the target subsectors, as well as the market facilitators that would drive actual activity development. The BSMDP's primary role was to be strategic, in understanding the dynamics of the subsectors and developing a series of programme activities to effect pro-poor change. These activities would yield significant results, both systemically and directly benefiting the economically active rural poor, primarily using business services as the tools for the programme to drive the activities.

FIGURE 2: IMPLEMENTATION FRAMEWORK FOR THE BSMDP



Source: BSMDP framework paper, 2008

In this framework, the role of a market facilitator is temporary, outside of the normal market actors, to stimulate the development of service markets within the value chain. The BSMDP was called upon to serve both as a facilitator (working directly with market actors) and as a "supra-facilitator", whereby it contracted with others to facilitate the service market development.

PURPOSE-LEVEL RESULTS

The purpose-level results are extremely encouraging. Overall, there has been impressive growth in the two focal subsectors, as well as innovative results in media.

Dairy. According to information from the Kenya Dairy Board (KDB), the volume of marketed milk grew from an estimated 1.375 billion litres in 2001 to more than 2.1 billion litres by 2007, or an increase of 700 million litres. While the KDB does not have accurate statistics on just how much milk is actually being marketed in the country through all commercial channels, the Board estimates that the figure is between 55 and 60 percent of total production, leading to an increase in production from 2.5 billion litres in 2001 to 3.8 billion litres in 2007. The Board also estimates that there has been an overall increase in smallholders involved in dairy production from 625,000 to 800,000 to supply this increased demand.

- The formal dairy industry has been in a rapid growth phase (for which the KDB does have accurate statistics), having grown from 150 million litres in 2001 to 420 million litres in 2007. Therefore, the formal sector has nearly tripled in size, realizing a net gain of 270 million litres. At an average price to producers of 20 shillings per litre in the formal sector, this has generated 5.4 billion shillings among milk producers since 2001.
- The marketing of raw milk has also grown quite rapidly. From 2001 to 2007, the amounts being marketed through raw milk channels increased by 430 million litres, a significantly greater volume than the 270 million increase in the formal dairies. This extra raw milk in the market has a market value to producers of between 7 billion and 10 billion shillings, depending on the price the farmers get. This translates to an end-market value of about 15 billion to 20 billion shillings.

Clearly, there has been very strong growth in the dairy industry, and small producers have played a very important role in meeting demand. Likewise, there has been a remarkable increase in the contribution of the dairy industry to the livelihoods of smallholder farmers and to the economy as a whole.

Export horticulture. Over the past seven years, since the design of the programme, Kenya's export of vegetables has increased substantially. In 2001, exports of all fresh and processed (pre-cut and packed) vegetables totalled 4 billion shillings, and total exports of fruits and vegetables were 8 billion shillings. By 2007, this figure had grown to 26 billion shillings, with most of that (more than 20 billion shillings) occurring in fresh and processed vegetables[8]. In dollar terms, because the shilling has appreciated against the dollar since 2001, the increase is even greater, by nearly four times. This increase in exports has brought foreign exchange into the country and has also created many benefits for the economically active rural poor, who have been linked into this growth either as small farmers or farm labourers.[9]

Media. With a focus on stimulating the flow of information to rural areas to improve farmers' access to technologies, better production practices, market information, and market linkages, the programme created new commercially driven products (such as agricultural radio programming), which have tremendous outreach (reaching more than 3 million agricultural households per week), and have shared information on a far greater number of subsectors (fisheries, maize, and cashews, for example). Though this represents just one service market out of the dozens that the programme has worked on, it has been the most important cross-cutting one, hence deserving of its own component.

Programme completion review purpose score of "2" likely to be largely achieved. Given the very broad mandate of the programme, some would say that it could never be completely achieved. However, the programme's wide-ranging activities have worked together to achieve the programme's purpose and provide a strong demonstrative effect that is having a continuing role in increasing opportunities for MSMEs and smallholder farmers and that will enhance the

8 Kenya Revenue Authority official statistics, supplied by the Fresh Produce Exporters Association of Kenya (FPEAK).

9 While often ignored, and not explicitly considered in the BSMDP's service orientation to small farmers, agricultural labour links to the medium-sized and large farmers who are driving supply to the export channels.

likelihood of increased roles in the future. Given DFID's limited investment, the programme has had a considerable sustainable impact on increasing the growth of the targeted subsectors and enhancing the competitiveness and access of MSMEs to new markets and technologies.

LINKING THE PROGRAMME ACTIVITIES TO THE PURPOSE-LEVEL INDICATORS

Broadly, the programme rates a score of "2"—likely to be largely achieved—on its original outputs, because not all of the activities achieved their desired results. (If we were looking at the outputs from the revised log frame, which reflected what the programme was actually doing, it would rate a score of "1".) But those that did achieve their desired results were sufficient to achieve the purpose of the programme. It is important to note here that no market development programme can ever be completely finished, since markets are in constant flux. With this in mind, the following sections analyse the activities implemented by the programme and highlight the outputs achieved in each of the three focal areas.

DAIRY

Overall, the programme implemented four main sets of activities, concentrating on all levels of the dairy subsector, to respond to the increase in demand, by making it easier for products to flow to the market as well as increasing product supply. In total, DFID funded 13 different subprojects, through 20 grants worth 2.56 million euros (see Annex 4). The BSMDP dairy case study (Gavin Anderson, April 2008) highlights these as follows:

Legitimising the informal sector: Although the informal raw milk channel was officially illegal, sanctions against it were unevenly enforced. It serviced urban markets dominated by consumers with low purchasing power for most smallholder farmers. The inconsistency in regulation needed to be addressed because it left thousands of traders effectively working illegally and open to harassment and rent-seeking by officials. This rent-seeking was common particularly among milk transporters. In order to tackle the fears and real health concerns inherent in unregulated milk sales, however, concerns about the sales would have to be addressed and a consensus built to support legalisation of the raw milk chain.

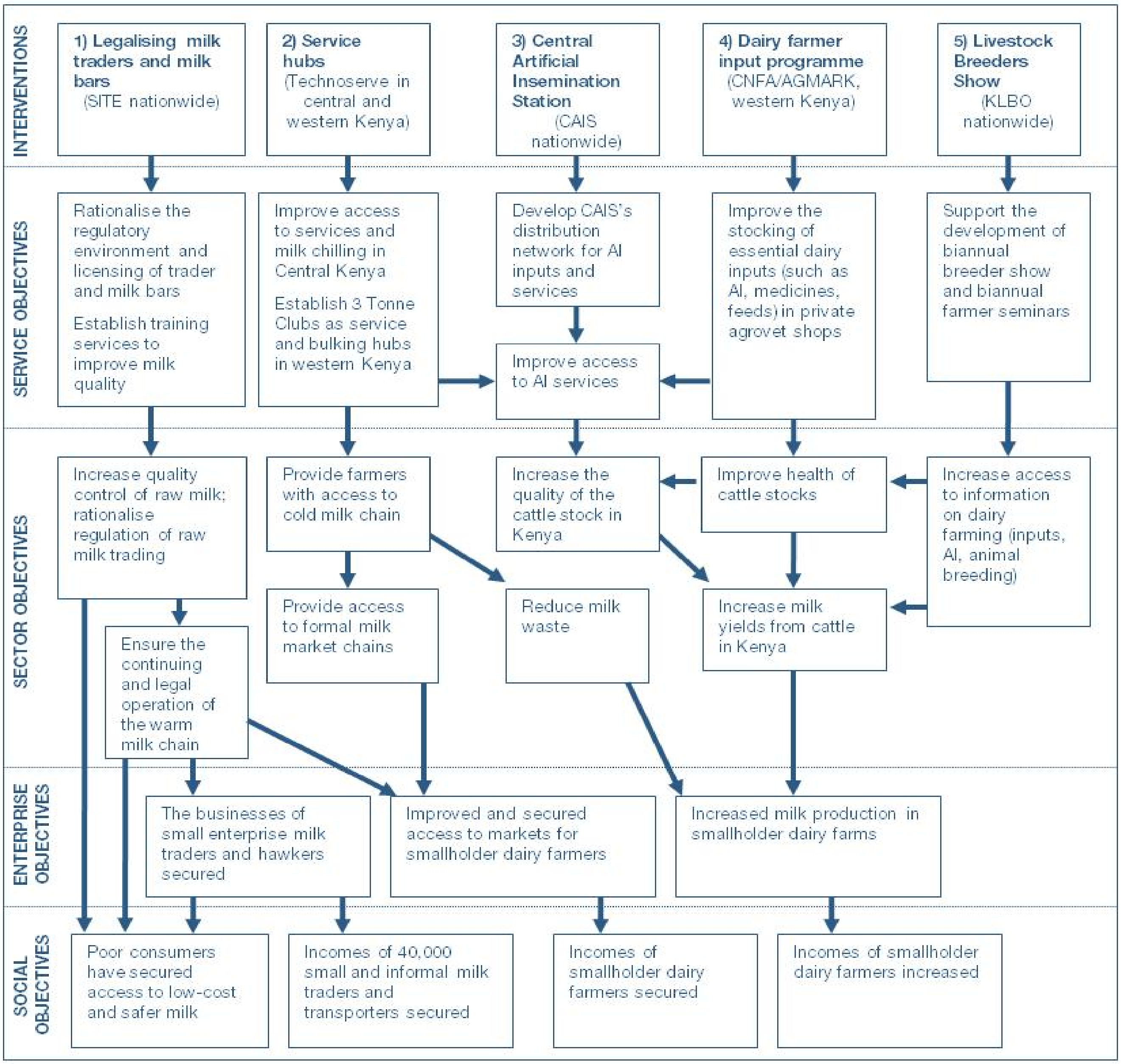
Improving productivity among smallholder dairy farms: By improving access to and understanding of services (artificial insemination in particular) and quality inputs (feeds and medicines), the productivity of dairy farms could significantly increase and enable farmers to meet increasing demand from both raw milk and processed milk channels. This would have a direct impact on the incomes of smallholder farmers.

Increasing the overall supply of milk from smallholders: By encouraging the growth of dairy farming in high-potential areas where dairy farming had either declined or not taken off (such as western Kenya), the BSMDP could increase dairy production and increase rural incomes. In addition, supporting dairy farmers by linking them to formal buyers (the cold milk chain) and providing greater access to chilling equipment would reduce spoilage and increase milk supplies and incomes.

Reducing milk waste: By increasing links to the formal and more reliable cold milk chain, and by improving milk handling practices and testing services, milk waste could be reduced and farmer incomes increased.

Figure 3, below, presents the links between the BSMDP's activities (interventions) the service objectives, the sector wide objectives, and the end benefits (social objectives): increased supply of low-price milk to urban consumers with low purchasing power, increased income to small traders, and increased income to smallholder markets, with more secure and regular markets.

FIGURE 3: RELATIONSHIP BETWEEN THE MAJOR PROGRAMME ACTIVITIES AND THE OVERALL PROGRAMME OBJECTIVES IN DAIRY

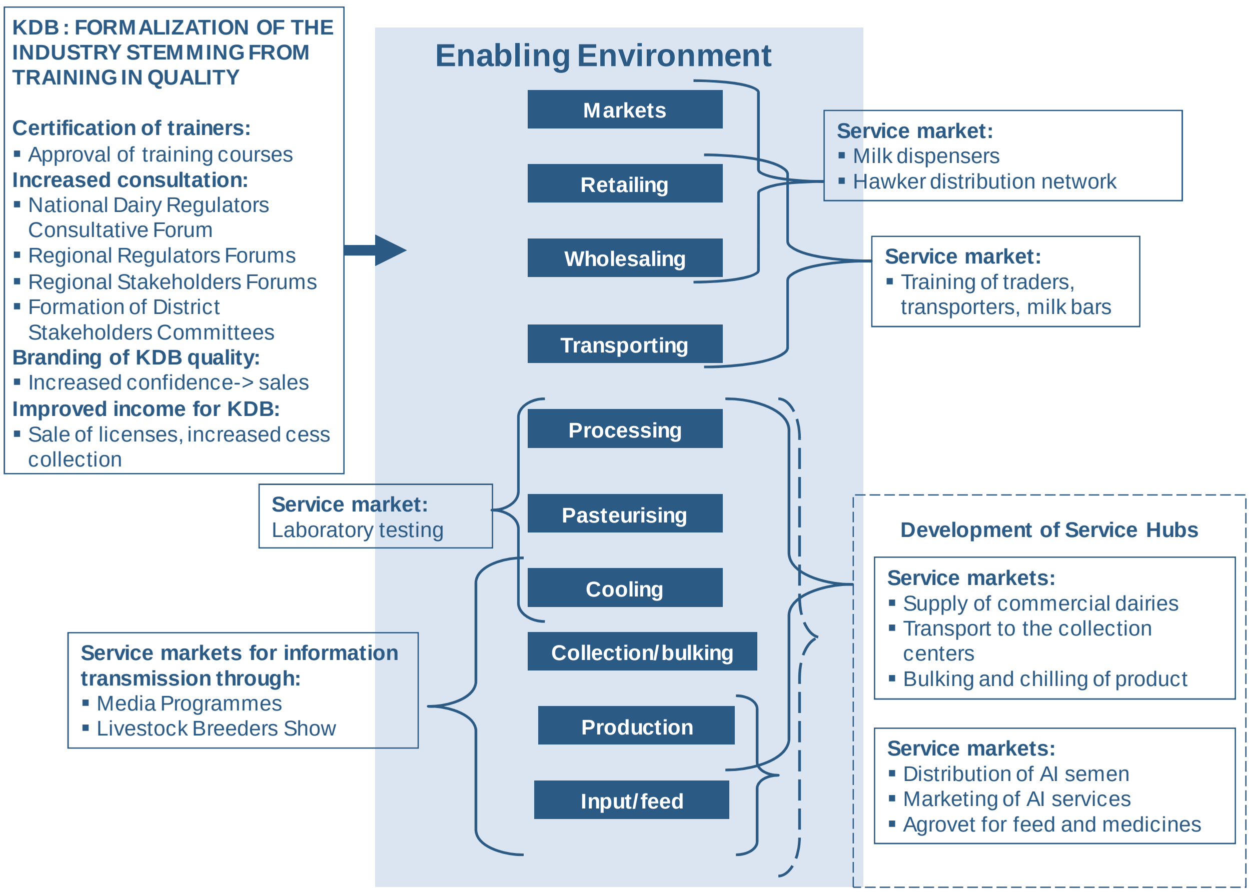


Source: Dairy Case Study, BSMDP, April 2008

The BSMDP activities were driven by market development principles: each one strived to make a product that was needed to improve the efficiency of the supply of business services, which are described in greater detail in the BSMDP Dairy Case Study.

Looking at this from the value chain perspective, the programme's activities were targeted to most of the functional levels where constraints had been identified in the subsector study. These activities were quite well balanced, keeping the focus not only on growing the overall subsector but also on using the service markets to upgrade the small businesses throughout the value chain (the small input suppliers, smallholder dairy farmers, and small trading businesses) and improve their competitiveness. Figure 4 portrays these interventions as they fit along the value chain.

FIGURE 4: BSMDP DAIRY VALUE CHAIN INTERVENTIONS



The most important issue highlighted in the original subsector analysis was the potential threat the regulatory environment posed to the industry by cutting off the majority of small producers from the end market if regulations on marketing raw milk were strictly applied. The BSMDP used market-driven activities to improve the quality of the milk being traded and the competency of the traders in the raw milk channels. This provided the foundation for the industry regulator to officially recognize the trade of raw milk in May 2007. Legalisation of the raw milk channel is already leading to increased formalization of the marketing channel, securing the acceptability of this market to producers and consumers alike, while reducing transaction costs as product flows to market. This is greatly increasing access for small businesses and opening up markets for producers.

Though this issue had been under discussion for years, the critical link to the BSMDP was the latter's direct engagement with the regulator. The BSMDP succeeded in getting the regulator to understand the market issues facing the raw milk segment of the dairy subsector and their potential impact on consumers and smallholders, demonstrating to the regulator that training could address the health risks and issues that were of concern and resolve them. The regulator then created four new sets of licenses (producer/trader license, hawker's license, transporter's license, and dairy bar license) to make these traders legal. The regulator's agreement required all traders to be trained by certified trainers before they could obtain a license. To date, the BSMDP has trained 90 trainers, of whom 46 are still active, and has trained about 5,000 traders toward certification. Of these, about 2,000 traders have been certified, with the rest in process. The ongoing commercial services being provided by the trainers continue to serve as a key component of the regulator's programme.

Simply convincing the regulator to recognize the raw milk traders proved insufficient, however. The programme subsequently helped the regulator to work with the traders to obtain concurrence from the Ministry of Health, the police, and the local authorities in understanding the policy shifts and recognize the traders. The BSMDP's assistance in trader licensing led to the creation of traders associations, which interact with public authorities.

Complementing the legalisation of the raw milk marketing channel, Figure 4 highlights the major activities implemented by the BSMDP concentrated on the smallholders directly. These focused on building sustainable service markets involving hundreds of service providers for agrovet services, inputs, artificial insemination, training, information, and transport. These services have enhanced the productivity and income of more than 12,000 smallholder farmers, whose numbers continue to grow. The driving force for the markets for services has been the increased demand for raw milk from both processors (formal processed milk channel) and traders (raw milk channel), to whom the smallholder producers have been effectively linked (vertical linkages).

One of the fundamental elements of the growth for service markets in supplying the smallholder producers under the milk bulking and service hubs has been improved access to financial services. Many of the bulking stations have developed check-off systems with their members and suppliers, which has allowed their suppliers to use their accrued assets at the bulking station to purchase services from service providers on credit. This check-off system has played a critical role in removing a major constraint (farmer liquidity) that had been at the heart of the market failure. The chilling hubs in central Kenya initially created their own savings and credit co-operatives (SACCOs). However, the 3 Tonne Clubs in western Kenya have taken a more integrated approach to link into the formal financial sector, partnering with Equity Bank. By linking into a professional financial service provider, the clubs simplified and sped up the process of accessing financial services and removed a significant risk to the organizations.

While the absolute numbers of smallholders and MSMEs directly reached under the programme represent just a small fraction of the total industry, the BSMDP developed and demonstrated effective service models. Due to their effectiveness, many of the models have been picked up by other funders for further investment and replication[10], which is directly strengthening the overall competitiveness of large numbers of the economically active rural poor.

Export Horticulture

The BSMDP organized a stakeholders' conference in 2003 to verify the findings and recommendations of the green bean subsector analysis to the export horticulture sector as a whole. The stakeholders confirmed that the greatest threats were lost market access stemming from the cessation of Kenya's LDC status and increased requirements regarding traceability and product quality. From this workshop, the BSMDP developed an initial set of programme activities to address these issues systemically.

In total, the BSMDP organized 26 grants totalling 1.341 million euros, though these focused on a more limited number of activities, with numerous repeat small grants to organisations such as ICIPE, AfriCert, and FreshLink, as they moved through the development process.

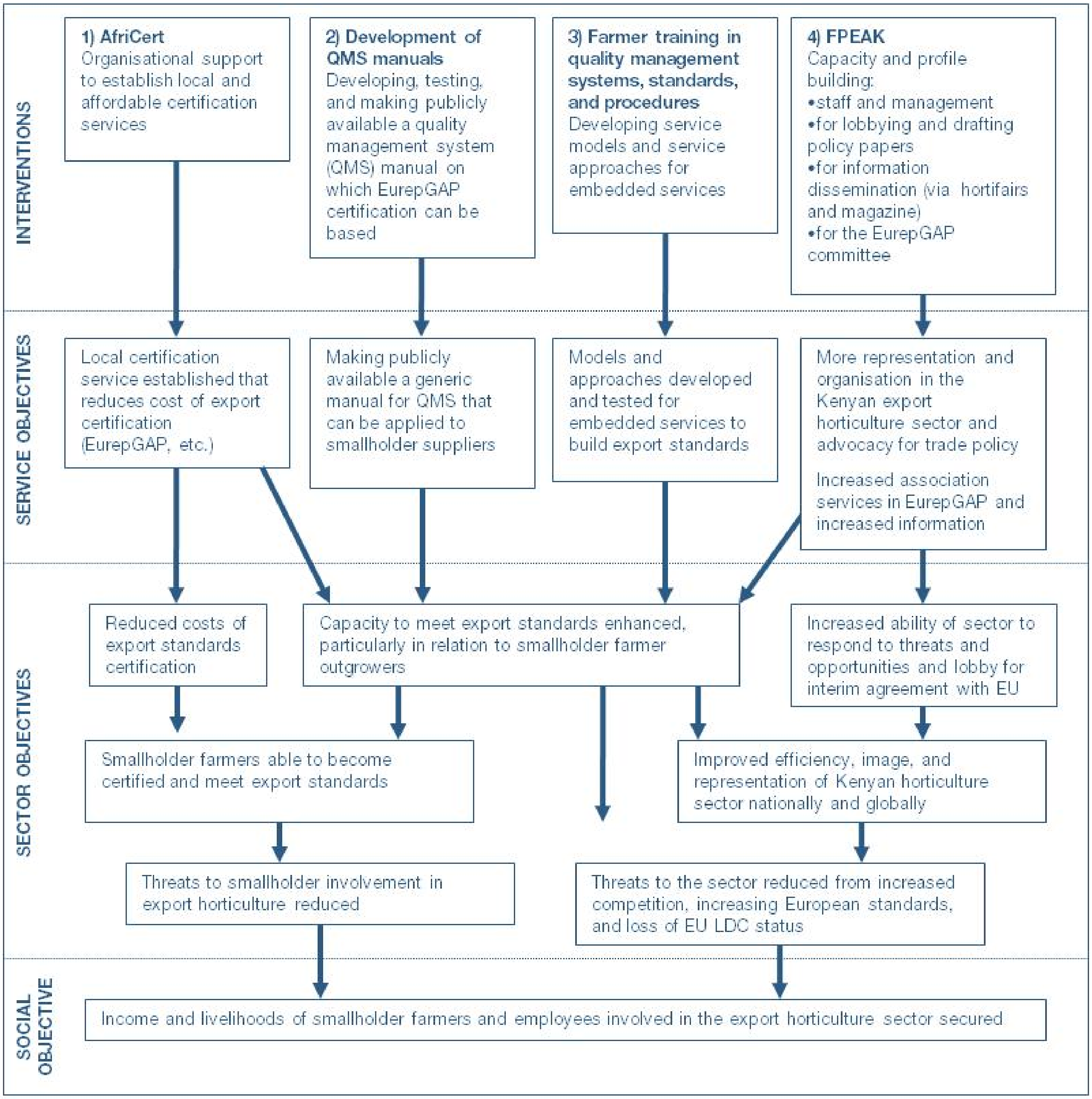
Although the BSMDP identified good market facilitators in the dairy subsector who could drive more strategic projects with broader outreach, the programme was unable to do so in the export horticulture sector. Its initial partner, ICIPE, was not able to play a true facilitative role with smallholder producers. As a result, the programme needed to focus its activities further down among the market actors, working directly to create and build the capacity of service providers who were direct market actors, as well as play the role of implementer in some cases.

Figure 5, below, highlights the four principal activities that were implemented by BSMDP, from the actual intervention through to the service objective, the sector objective, and the social objective (ultimate goal of the programme). The chart shows how the different activities created synergies with one another to eventually reduce the threats to smallholder farmers participating in export horticulture (helping them to upgrade and stay active), as well as to reduce the overall threats to the sector from the policy environment. The combination of the main different activities was, ultimately, the right mix to address the key constraints that were posing a risk to the smallholders and economically active poor.

One of the more discrete project business service activities was the creation of Product Marketing Organizations (PMOs) whose role was to deliver quality management services to the producers to improve the marketability of their product. The PMO would then make its money by charging a fee (or commission) to the producers or the buyer. The BSMDP facilitated the development of this service by developing the quality management training materials, training the PMOs and creating the linkages between the PMOs and the producers. One of the key challenges was for the PMO to develop a large enough, and liquid enough, clientele to make the PMO a viable business. A second key challenge was maintaining client and/or buyer loyalty, so that they would not eventually go around the PMO and work directly together.

[10] The BSMDP worked very closely during the design of the IFAD smallholder dairy project, which has taken on many of the most sustainable BDS aspects of the work. Technoserve has received funding to replicate its experience with the BSMDP across Kenya and the region in conjunction with Heifer International, and AGMARK has received funding from the Alliance for a Green Revolution in Africa (AGRA).

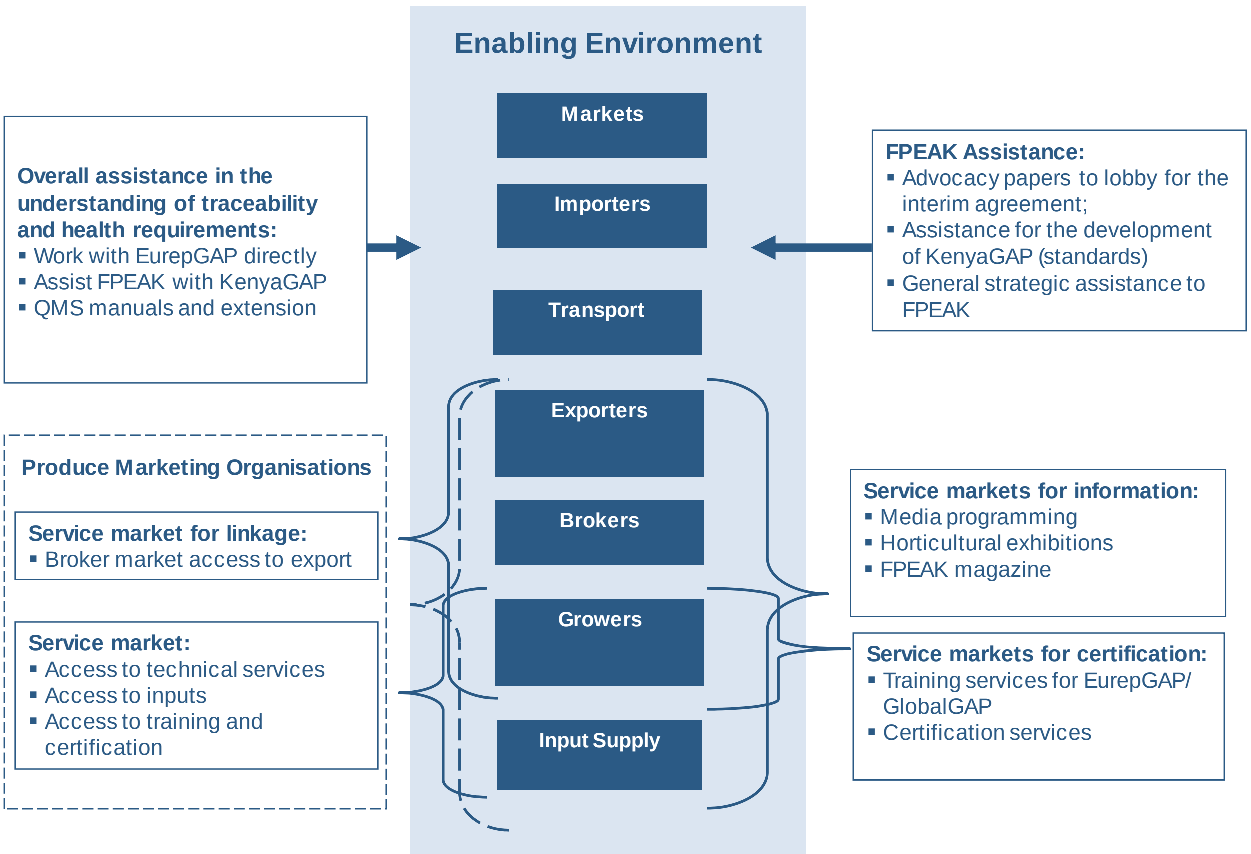
FIGURE 5: RELATIONSHIP BETWEEN THE MAJOR PROGRAMME ACTIVITIES AND THE OVERALL PROGRAMME OBJECTIVES IN EXPORT HORTICULTURE



Source: Horticulture Case Study, BSMDP, April 2008

Figure 6, below, highlights the level of interaction the BSMDP maintained along the value chain. It worked at the policy level to preserve Kenya's duty-free status with the European Union (EU) and focused on broader enabling-environment issues related to the general acceptance of Kenya as a safe producer of horticultural products for the international market. The programme did this by maintaining close relations with EurepGAP (now GlobalGAP) and through the institution of KenyaGAP as standard for Kenya. The figure also highlights the fact that the project interventions included all of the actors within the value chain, getting them to work more effectively together and enhancing the efficiency within the value chain, making it both more possible as well as more profitable for smallholders to participate.

FIGURE 6: BSMDP EXPORT HORTICULTURE VALUE CHAIN INTERVENTIONS



Though it was working primarily with market actors who were involved in selling services directly to a few actors within the value chain, the BSMDP was able to identify two service providers that operated at a sectorwide level that could fill larger strategic gaps in the industry: the Fresh Produce Exporters Association of Kenya (FPEAK) and AfriCert, a regional certification company.

FPEAK was the BSMDP's broadest-reaching partner in export horticulture and was able to help address the primary threat to the subsector: maintaining Kenya's preferential duty-free access to the EU market via development of position papers and advocacy efforts with the Government of Kenya (GOK). In doing so, FPEAK helped negotiate an interim agreement with the EU for preferential horticultural imports. This probably had the greatest overall impact on the industry of any activity.

The programme started its support to FPEAK by assisting the association with its strategic planning efforts, followed by assisting the group with implementing the resulting strategic plan. The BSMDP played a significant role[11] in FPEAK's growth during the past three years by

[11] Personal communication from Dr. Mbithi, CEO of FPEAK.

focusing the organization's membership drive and funding a membership needs assessment along with the group's marketing efforts. This led to a 50 percent increase in membership and broader industry-wide recognition. The programme also funded the development of profitable association information-sharing activities that have added $100,000 to FPEAK's operating revenue. This included development of FPEAK's monthly magazine (at a net profit of 2 million Ksh) and four regional horticultural exhibitions (at a net profit of 4 million Ksh). These activities are serving as important information-sharing tools for which we have no specific impact data, but the interest expressed by the participating farmers and industry stakeholders is evidence that the activities are adding value.

The overall effort to increase sector information about export horticulture quality and standards included the development of quality management system (QMS) manuals that were used as training tools. The effort also involved training experts and consultants in the use of the manuals.

The dissemination of information has not yet resulted in the establishment of ongoing products and service markets, but it has greatly increased understanding and knowledge of export horticulture in Kenya. There is a greater supply of trained staff that address these issues, though the services are not continuous or sufficient to provide full-time employment.

The programme's effort to develop product marketing organisations (PMOs) that could link producers to exporters provided two good models, but there has been difficulty translating these into viable, ongoing businesses. However, farmers have assumed many of the services being promoted by the PMOs, and the application of QMS by farmers in groups has led to increases in their income as a result of their adoption of more efficient operations.

While much of the focus of the BSMDP's efforts targeted smallholder farmers and their inclusion in the formal export horticulture industry, the requirements of the industry require increased formalization of the suppliers. This means that there are fewer small growers and more contract growers who will often employ more people to work on their farms in the form of planting gangs and harvesting gangs. Thus, an important result of the overall growth of the industry has been the increase in labour opportunities for the economically active rural poor, at both the small- and large-farm levels.

MEDIA

The media initiative was added to the BSMDP in late 2004 following some introductory experiences and research under the export horticultural activities. DFID committed 500,000 euros through four grants to the effort, complemented by a 60 million Ksh contribution from Danida (equivalent to 800,000 euros) in the final year.

The key constraint, from a market development point of view, was a lack of understanding regarding the market opportunity (demand for information by rural consumers) on the part of the service providers (media firms). Once the BSMDP, using market research, determined that there was significant demand for information, the programme proceeded to define the nature of the market and identify the best service providers to meet the market's needs. Of the different kinds of media, radio was selected as the optimal avenue for reaching this audience.

The initial pilot activity involved using Kenya Broadcasting Corporation's (KBC's) Swahili programming to develop a one-hour weekly magazine-format radio programme. The programme selected KBC instead of another radio station because of its national coverage in Kiswahili.

KBC, in turn, was interested in the BSMDP because it was operating in a changing environment with greater competition. The station had lost its guaranteed income from radio station licensing and national budget financing, and so was seeking ways to supplement its income through advertising. (There were questions about just how entrepreneurial KBC would be; questions that proved to be valid later on in the activity.)

A production team was set up inside KBC, and content was obtained from numerous organizations with information that was relevant to farmers. The one-hour weekly magazine-format show KBC launched, “Mali Shambani”, featured agricultural news, special topics with invited speakers, and listener call-in sessions. It rapidly became KBC’s second-highest-ranked radio show, demonstrating the demand for such information among the rural population. KBC has been able, with the BSMDP’s assistance, to line up advertisers and sponsors for the programme.

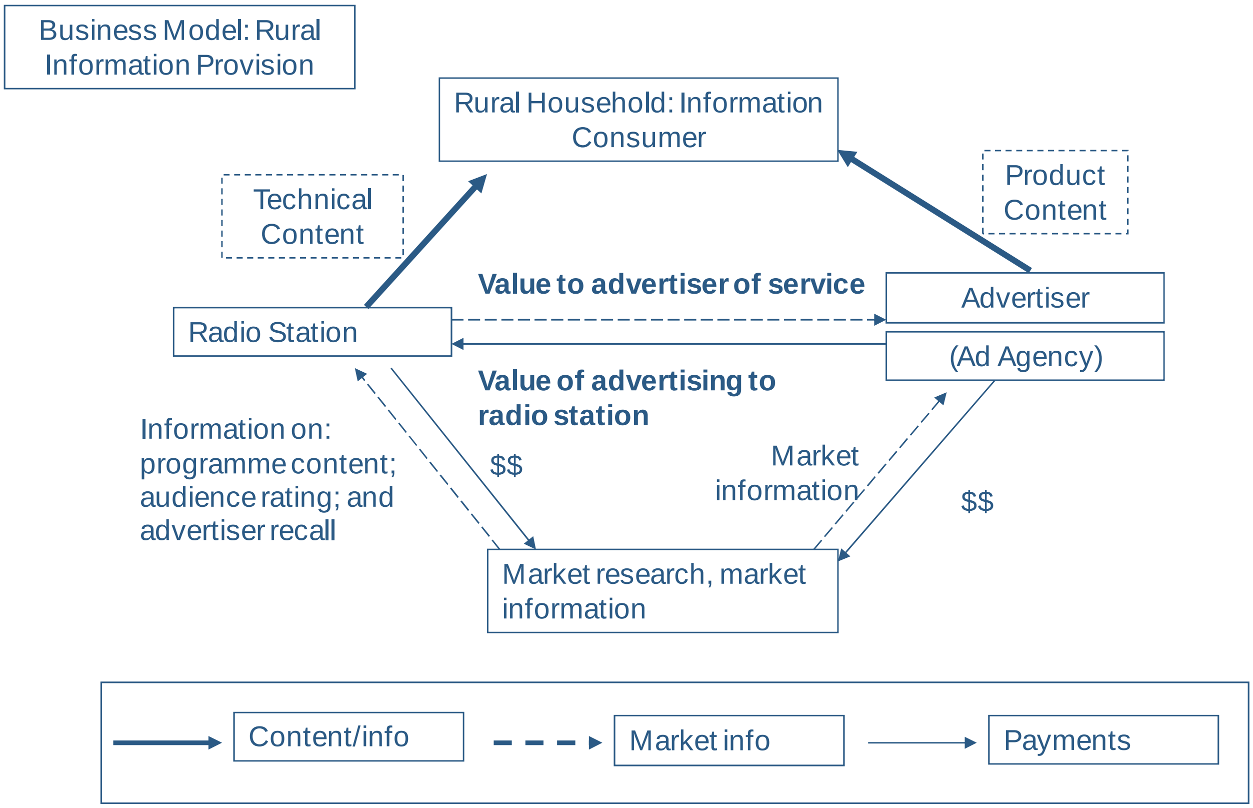
Follow-on activities consolidated the “Mali Shambani” experience and introduced some new elements to the programming, instituting telepanels for content satisfaction surveys, developing databases with content accessible to other radio stations, and expanding the programming to four other FM radio stations in local languages (Luo, Kalenjin, Kiswahili, and Kikuyu) in the relevant geographic zones. The geographic outreach of the programming allows the FM stations to target products within their regions (for example, dairy in central Kenya, fisheries and livestock in the north, dairy in the west, and nuts in the coastal area). The four FM programmes were launched in November and December 2007 and January 2008. Each has lined up advertising to cover its operating costs.

This activity, therefore, has tested and demonstrated a model for media services that is working. It has generated a successful set of market services that are commercially viable. Within the radio stations, some are re-airing segments of the show at different times of the week to enhance product outreach, and there is anecdotal evidence of some uptake of the product by other radio stations.

It is extremely difficult to quantify the media programmes’ impact on the uptake of business services, transfer of technology, and eventual increase in production. However, the agricultural product advertisers on the programmes say their sales have increased following the shows. This might be a proxy for increased uptake of services leading to greater agricultural sector growth (it might also be at the expense of nonadvertisers). The USAID-funded Maize project has indicated that the shows have helped its target clients increase the uptake of services and technologies. Thus, this service market appears to be achieving the purpose of the programme.

In analyzing the long-term viability of the radio programmes, however, the business service market is really between the producers of agricultural goods and services (who become the advertisers) and the radio stations (see Figure 7). A fundamental part of the business relationship, and of the programming’s value to advertisers, is the availability of information about the market, including the size of the listenership, listener satisfaction with the programme content, and advertising recall. This information is the lubricant that makes the business model effective, because it provides the radio stations with the data they need to attract advertisers, explaining how advertising on their station will increase the advertiser’s sales.

FIGURE 7: BUSINESS SERVICES MARKET FOR RADIO PROGRAMMING



The missing link in the current market situation is the commercial provision of market research to provide better information on the market for the radio programming. In creating the radio programmes, the BSMDP facilitator funded all the market research directly, so a set of commercial market information services has not yet been developed that can be sold directly by market research firms to the radio stations for this market segment. This needs to be the next step to ensure the viability of the nascent media market, and has its own challenges. While the radio market research industry is not new and many of the techniques and concepts it employs are familiar, they have not yet been applied in rural areas. Given that the total size of the agricultural advertising segment is about $1.2 million per year in Kenya, with the radio budget at about $750,000[12], the cost of the market research will need to be kept within a very narrow range to be affordable to the radio stations. Getting this component of the service market working could have a major impact on future programming.

[12] Sources: FIT and Research International

IMPACT OF THE POST-ELECTION CRISIS ON THE PROGRAMME'S DELIVERABLES AND SUBPROJECT OUTPUTS

The ethnic upheaval after the December 2007 elections had a significant impact in Western Kenya. This impact affected the ongoing efforts of BSMDP activities there; more specifically, the 3 Tonne milk service hubs. Programme activities in the rest of the country have been essentially unaffected. The BSMDP commissioned some market research on the effects of the violence on the participants in the 3 Tonne programme, which indicated the extent to which the operations of the service markets that are needed to make a sector work effectively had been disrupted.

The 3 Tonne service centres focused on changing the production and marketing behaviour of small farmers and traders, to encourage them to invest in better production practices and improved technologies (including animals). As production systems become more specialised, they grow more dependent on the smooth functioning of the service markets to provide (a) the needed inputs for improved breeds, which are being raised more intensively; (b) market access to make the investments pay off; and (c) steady income to pay off loans. Research International's analysis demonstrates that the impact of the post-election crisis was felt at many levels:

- Agro-input suppliers and veterinary services encountered greater problems finding goods for restocking and access to transport to get restocked and to visit their customers. In addition, increased prices for goods meant that customers had more difficulty paying.
- Farmers, too, had a lot of trouble accessing transport to deliver their milk, as well as accessing veterinary services and animal feed and meeting with customers. With these access problems, costs have gone up, making business less profitable.
- Eighty-five percent of dairy retailers in the affected areas cited problems, primarily regarding the increased price of milk and their ability to access customers.

Therefore, the problems of transport are critical to all members of the value chain. Farm customers, including brokers, are not always able to pick up supplies of milk, and suppliers are having significant problems with transportation of the inputs they are using. These problems have led to price increases for inputs, as well as for milk to retailers, but lower prices for producers: the shortage of transportation has led to increased transport costs, causing buyers to negotiate lower prices for milk, because farmers have few alternatives, while selling at higher prices. This has caused a major disruption to the market.

In addition to disrupted service markets, a situation befalling Land O'Lakes highlights a second major effect of the violence: the theft of animals (over 140,000 dairy cows stolen, valued at 5.2 billion Ksh). The impact has been a reduced milk supply (January figures were 11 million litres less than the previous year).

Reports indicate that the regional forums created through the SITE work with key stakeholders (traders, producers, KDB, local authorities, police, and the like) have served as good points of contact and intermediation where issues regarding the violence have been discussed more widely, with a view to its impact on the industry. Because everyone in the dairy subsector has been hurt by the violence, the various stakeholders have used the forums as a tool for mediation to try to get marketing systems back on track and to halt the violence.

The BSMDP has also used the media programming on agriculture as a vehicle for getting critical information out to rural households in the most affected regions. This can be an effective tool for getting the markets moving again more rapidly, shortening the time to get things back to normal following the disruption.

III. Management Effectiveness

As noted in Section 2, output 4 of the revised log frame focuses on effective management of the programme. The BSMDP got off to a relatively slow start. Even though it was using the two subsector studies that had been prepared nearly two years earlier, it still took the programme more than four months to become truly operational, with offices and administrative systems set up. There was a relatively long teething process with the Programme Management Committee (PMC) as it became comfortable with the programme and the programme's management. This section reviews the effectiveness of the management strategy and the role of the PMC as a governing structure.

EFFECTIVENESS OF THE MANAGEMENT STRATEGY

One of the most commonly asked questions during the evaluation was, "What was the programme's strategy?" The simple answer was that it was implementing the recommendations of the two subsector studies. However, this was not a clear strategy in the minds of most of the stakeholders, including many members of the PMC. This was largely because of the complexity of the task, but also because it was not clearly presented.

This was a business services market programme, yet it was operating from a subsector perspective. Subsector development involves looking at the issues from all functions in the value chain, including the national and global enabling environments and seeing the constraints therein. Because this was a business service development programme, the parochial view could have been to focus directly on business services as they interacted with the target clients (beneficiaries)—the economically active rural poor—within the subsector. However, the major recommendations of the subsector studies highlighted the constraints throughout the subsectors, from the enabling environment to upgrading skills and technologies. An important part of the beauty (and success) of the programme was that it actually used a business service approach to address the issues at the enabling environment level as well as at the smallholder/economically active rural poor level. The previous discussion in Section 2 helps demonstrate the parallel sets of activities that were being carried out at each level of the value chain and in different channels within the subsector.

A major weakness of the BSMDP was its inability to actually express this strategy that it was implementing. Many stakeholders saw it as a mixture of interesting activities without a clear understanding of how all the pieces fit together, or an understanding of the results of the programme and how they have all built upon one another.

Part of this perception of a lack of strategy involved the nature of the programme. The BSMDP was a "first-generation" BDS programme that graduated with time to a "second generation" MW4P programme. It was testing a lot of theory and trying to put it into practice. As such, it did not have a clear path to follow and needed to remain flexible, which it did, keeping good aspects and building from them, and stopping the things that did not work. From that perspective, the BSMDP has been a learning programme. Within a framework provided by the subsector studies, it has experimented with different types of activities and different models of business support services. As new issues or opportunities arose from programme activities, the programme addressed them. As existing activities indicated that modifications were needed in the next phase, it modified them, as well.

The programme tried a wide range of different business support services and interacted variously as a "supra-facilitator", a facilitator, and (occasionally) a direct service provider. It funded a lot of research and development analysis—feasibility study work—to see whether there was a real market for a programme before investing more heavily in it. These included media with FIT, western Kenya with Technoserve, and the strategic plan development for FPEAK. When there were less reliable partners, the programme provided repetitive small grants to ensure that proper results were being achieved.

To help offset the programme's scarce resources for independent monitoring, it awarded subgrants to perform the monitoring and evaluation function, but unfortunately was unable to internalize all the findings from the monitoring due to limited resources.

Programme Management Systems

The structure of the BSMDP was too basic for the programme's purpose. It was not a simple "grants programme" that needed a "grants manager" as per the request for proposals. It was, rather, a learning initiative that needed more manpower and strategic guidance to drive it and achieve the end results. With a single core staff member, the programme would have greatly benefited from good, regular, external advice, such as it started to get at the end from UK training and research firm The Springfield Centre (see footnote 12). Because the programme manager was involved in so many different activities, he was rarely able to give the program all the time it required. This compromised the capacity that the programme should have built but did not. This also meant that it could not do much strategic analysis as the programme moved ahead, though it should have been able to do additional analysis of the sectors in which the programme was working in order to see how the sectors changed, but it did not. Doing so was not part of the programme, nor were there resources in the budget for such a task.

The BSMDP managed many contracts during its five years: 20 in dairy, 3 in media and ICT, 26 in horticulture, and 5 for the Danida grant. This has constituted a major time investment by the programme management team. The largest grants, those to the major implementing partners (Technoserve, SITE, AGMARK, FIT, and the like), took less management time from the BSMDP team. Nonetheless, the sheer magnitude of the number of activities must be recognised, with the realization that they took a significant amount of time to manage.

Viewed from the end of the programme, the smaller projects that BSMDP supported, where the players were more direct participants in the value chain (including FreshLink and Development Outcomes), required more BSMDP staff management time to keep on task. This came at the expense of their keeping the focus on the bigger picture. Thus, even though the bigger projects were more expensive to manage, they may have been more cost-effective.

Grants payment and reimbursement. Donors are always challenged to find cost-effective ways to manage subgrant funds for programme implementation. Doing so is time-consuming and costly to DFID if it manages the funds itself, leaving potentially large amounts of money outstanding in the accounts of grantees. But it can be equally expensive if the programme implementers provide the funds. The partnership between CAVEI and GFA, for example, was founded on GFA's ability to provide the cash flow to the programme to make the grants, which

CAVEI could not handle. GFA charged DFID a handling fee based on the length of time the funds were outstanding.

The process was convoluted and complex: GFA advanced the money to the grantees, then the invoices were sent from the BSMDP in Kenya to CAVEI, which transferred them to DFID in East Kilbride, which then scanned them and sent them back to DFID in Kenya for auditing. If there were any issues on the invoice, payment authorization was withheld on the entire invoice. Because DFID was paying the servicing fee based on time outstanding, the result of this long process often caused DFID to pay larger service fees than it should have.

Grantee Selection Process

Implementing a subsector-based market development programme requires good implementers, a clear idea of the issues being addressed, and flexibility to find the right solutions. The selection criteria for grantees should be a function of their ability to achieve the outputs of the programme. Within the programme's role as a supra-facilitator, it needed good facilitators with whom to work. In the early years, BSMDP was not clear about the intended roles for the grantees and whether they were facilitators or service providers. There were very few grantees who really understood the role of a market facilitator, though some had been specifically trained to fill this role.[13] In dairy and media, the BSMDP was able to find several good facilitators (SITE, Technoserve, AGMARK, and FIT), who were versed in the role and managed programmes from which they had been able to effectively withdraw. In export horticulture, there were no good facilitators other than FPEAK, which was not truly a facilitator. Therefore, in this case, the programme was required to play the role of market facilitator, which consumed more of its scarce management time identifying and working with the market actors.

When there was not a good market facilitator to manage a series of targeted activities, the programme needed to select, develop, and supervise market actors, strengthening their roles within the market channels. For the BSMDP, this was a very labour-intensive and time-consuming process because the organizations were unsophisticated. Though this process was needed early on in the programme when it was trying out new approaches and testing new models, as the programme evolved and clarified its activities, the process of hiring and managing smaller grantees became less efficient. The lack of good market facilitators in export horticulture other than FPEAK was one of the reasons the BSMDP did not start any major new activities in export horticulture in the last two and a half years of the programme.

BSMDP was challenged to find the best and most strategic facilitators as grantees. This required a clear picture of where the programme wanted to take a sector so that it could seek out the right grantees to support. Since the programme did experiment a lot in the early years, as it was trying to establish its vision and credibility, it ended up with a number of grantees who were ultimately not the right ones.

[13] During the late 1990s, DFID made a concerted effort to wean many of the leading local and international NGOs involved in enterprise development off of grants to directly implementing enterprise development activities and becoming market facilitators. The agency applied an orderly process of informing the NGOs that their funding would be ending, while at the same time paying for them to learn how to become market facilitators. From 2000 to 2002, DFID funded many staff from leading NGOs to participate in The Springfield Centre's BDS Seminar in Glasgow, which taught them the role of the market facilitator and the skills to become one.

The use of a challenge fund. As noted above, implementing a subsector-focused programme requires targeted skills and activities. Challenge funds can be sources of good ideas in this arena but need to be managed carefully. Dictated by the PMC, the BSMDP's dairy challenge fund did not add much value to the programme, for the following reasons:

- *It was slow*. It took eight months from the announcement of the programme until the grantees were finally contracted.
- *It was very labour-intensive and time-consuming*. With more than 500 applications received, it took a lot of the programme's scarce management time to identify and select the final grantees.
- *It yielded few new results that had an impact*. The programme selected three grantees from the challenge fund process. Of these, only one truly addressed systemic service market issues effectively (AGMARK's Agrovet programme), and it had already been in discussions with the BSMDP before the Challenge Fund.

Revised Performance Contracting Introduced in the Last Year

During the final year of the programme, the three main subgrants were rewritten to tie their payment more clearly to results. By this time, the BSMDP was working primarily with facilitators implementing larger programmes, each of which was operating with a logical framework. So there was little major impact from this change in approach other than to get the payment sequences into alignment.

Monitoring and Evaluation

Given the shortage of programme resources, the BSMDP was forced to embed the monitoring and evaluation (M&E) function within the larger subgrants. This meant that although projects were monitored for compliance and implementation, the programme did not analyse these data for their impact and lessons learned across the full range of projects.

Output 3 from the programme was focused on capturing the lessons learned from the programme and developing them into learning tools for the industry. This happened at the very end of the programme, but it would have been very valuable to have captured the lessons earlier in the life of the programme and on a more regular basis. As noted above, the programme had difficulty expressing its strategy to its direct supervisors, the PMC, and the broader industry. Some of this information was captured in close-down case studies but would have been useful to have earlier in the programme.

EFFECTIVENESS OF THE GOVERNANCE STRUCTURE

The PMC was involved in both providing strategic guidance and approving and monitoring the annual workplans for BSMDP. The committee was composed solely of eight DFID staff members and CAVEI representatives, until the merger with the Danida BSPS programme in the final year of the BSMDP. At that point in time, members of the Danida programme, as well as a representative of the Kenyan government, joined the PMC.

The PMC was quite involved in the decision-making process during the early years of the programme. Led by the private sector adviser, who had supervised the design and development of the programme, and her deputy, the PMC was involved in reviewing programme strategy and vetting potential grantees. These two people played an important role in the early rigor and structuring of the programme, but also got down to trying to manage many of the smaller details of project implementation. However, despite their interest in the BSMDP, the PMC members did not make much time available for the programme. They were always very busy and concentrated their input around the PMC meetings. This distance between the PMC and the programme management team hindered effective communication between the two structures. It was quite frustrating to the CAVEI representative who visited Kenya every three months from the UK to participate in the meetings, only to have very little access to the decision makers on the PMC.

Both of the key original DFID staff members left two and a half years into the programme, and afterward there was a steady flow of DFID staff members assigned to the PMC. But very few of them took the time to "get inside the programme" and understand what it was doing and how it was operating, so they were unable to add very much value to the process. As a supervisory committee, the PMC provided very little strategic guidance to the programme until its last year, when a new private sector adviser arrived with a strong background in business services market development.[14]

In short, while the PMC did provide some very good oversight and strategic inputs to the programme early on and at the end, it was unable to provide consistent, regular supervision over the life of the programme. At the same time, the PMC often got very involved in the details of project implementation, which are normally left to the management team to handle. Fortunately, CAVEI maintained a continuous staffing presence, with the same programme manager and home office manager for the duration of the programme. This helped maintain the institutional memory of the programme and contributed greatly to its success.

Danida's reaction to the PMC. It is worth noting Danida's reaction to the programme governance. Due to fewer resources within Danida, the agency normally sets up the governance structure, including representatives of the local stakeholders, and then moves into the background and plays less of an active role. The committee's Danida representative was therefore surprised by the DFID staff's direct level of engagement in managing the programme.

The Role of Cardiff and Vale Enterprise International

CAVEI has provided consistent support to the programme. The organisation has had the same project manager since the BSMDP's inception and has participated in nearly every PMC meeting. CAVEI's inputs have concentrated on programme administration and helping the programme manager to think through his early strategic process to develop early action plans, a subject that it mastered very well.

However, the BSMDP's technical nature, especially as a cutting-edge development programme, differed from that of CAVEI's normal programme activities. As a result, though CAVEI was able to add value in several areas, it was unable to give the programme manager the full level of

[14] This individual is the regional senior growth, trade, and investment adviser, who officially does not cover Kenya yet had a strong interest in the programme. However, he has also been extremely busy and unable to spend concentrated time interacting with the programme.

technical support he needed to maximize the BSMDP's effectiveness. This is not uncommon, except that the programme lacked the resources to contract in additional staff.

Management of the Transition

During the final year of the programme, after the merger with the Danida BSPS programme, the BSMDP management supervised two sets of grant funds. There was very good technical overlap between the programmes, and the BSMDP management was able to generate good synergies in the focal areas of dairy and information and communication technology. This was probably made easier by the fact that Danida was a more "hands-off" donor, whereas DFID was a more "hands-on" donor. The staff was able to blend the log frames from the two programmes into one that made good sense, given the similar objectives.

When the agreement was initially made, Danida expected DFID to provide additional funding to the BSMDP and continue its activities (and strategic supervision). Danida was disappointed when DFID was unable to provide the funding for a further extension, forcing the early institutionalisation of the programme.

DFID's withdrawal from the funding will have an impact on the nature of the activities that the BSMDP will be able to implement within its new home in the Micro-Enterprises Support Programme Trust (MESPT). Most of the BSMDP staff have transferred over to MESPT and will continue their services, but MESPT does not yet have a programme manager for this new component, and it will lose the strategic input from DFID's highly qualified adviser.

The early resignation of the BSMDP assistant programme manager toward the end of 2007 caused some disruption to the orderly close-out of the programme, the assessment of the lessons learned, and the transfer of functions to MESPT. However, it is not at all clear that she would have been able to pick up the management of the programme and maintain its strategic vision and interaction with the key stakeholders in the target subsectors.

As the BSMDP integrates MESPT, DFID could take several steps to ensure that MESPT is able to internalize some of the key issues on which the BSMDP was concentrating:

1. Refresh the dairy value chain analysis to check the strategic vision for the increased inclusion of smallholder producers in the subsector. The new programme director should be included in this process, as it will greatly enhance his or her understanding of the sector.

2. Leverage MESPT service provider finance skills to develop value chain finance activities to grow the subsectors overall and to address the specific finance requirements of the value chain actors. This will require:

   - Specific analysis of the value chains from a financial services perspective;
   - Identification of financial service requirements;
   - Working with financial institutions to build their awareness of the need for financial products; and
   - Assisting the financial institutions in developing the new products.

Annex 2 provides further discussion on key issues and recommendations for the BSMDP's integration into MESPT.

IV. Lessons Learned

As would be expected from a successful programme, there have been many lessons learned over the past five years on what the key programmatic issues are and how best to go about market development. Several considerations need to be addressed, including how to do better implementation and obtaining the appropriate resources for such a programme to achieve its full potential. In addition, because this experience has formed the first generation of MW4P projects worldwide, there are fundamental development issues to consider for the next generation of such programming.

PROGRAMMATIC ISSUES

The success of BSMDP results largely from its positioning within the overall subsectors and the realisation that the business service markets it was trying to create for the economically active rural poor fit within a larger context—creating a growth sector. The systems approach requires that considerations be taken at several levels simultaneously: the overall enabling environment, the smallholders, and the larger firms with which the smallholders are interacting. All this occurs within a framework of overall subsector management.

ENSURING THAT THE ENABLING ENVIRONMENT IS RIGHT

The BSMDP spent significant time and effort on the enabling environment for both dairy and export horticulture. In fact, these were at the origin of much of the programme's success in creating opportunities for the economically active rural poor. The legalisation of the raw milk trade and the negotiation of an interim agreement with the EU had a significant impact on the programme's ability to help its target audience integrate growth subsectors.

CLARIFYING THE MARKETS AND MARKET FAILURES THAT ARE BEING ADDRESSED TO MAXIMISE GROWTH

There are dozens of possible markets for services within a single subsector. Among these are:

- Producer to service provider for productivity increase;
- Producer to service provider for market access (producer to product marketing organisation [PMO]); and
- Service provider to other service providers (PMO to processors or retailers).

The challenge for a programme is to select those service markets that will have the greatest impact on the growth of the subsector and the broadest impact on the targeted "clients", not just on trying to demonstrate that a business service market can be established. The BSMDP was able to be quite strategic in most of its activities, though it did invest in a number that contributed very little to overall systemic development. In order to enhance the on-going implementation of a project, it needs a set of portfolio management tools to enable it to make those decisions during implementation.

THE IMPORTANCE OF RURAL LABOUR

An important focus of the BSMDP was on keeping smallholders and microenterprises involved in the subsectors by increasing their productivity and market linkages. However, a careful balance must be kept between trying to keep smallholders involved within the subsector and the need of the subsector to be competitive. With many upgrading programmes, the number of smallholders will decrease as the capable smallholder and small firms become more professional and increase their production. This generally leads to an overall reduction in the number of smallholder "businesses" but a complementary increase in the number of people who are employed by them, to meet the higher standards within the industry. This can also include increased labour among the larger firms that are involved in supplying export markets.

SUBSECTOR MANAGEMENT

Another lesson from the BSMDP is the importance of approaching a subsector in an integrated fashion and ensuring the "management" of the entire subsector; that is, awareness of the various issues involved and how they interact with one another. In Kenya, no one is managing the whole subsector from the perspective of the economically active rural poor. The BSMDP took on this function, more than any other organisation in Kenya in dairy and export horticulture, to get all the participants on board to determine how to grow the two subsectors. This usually entailed interacting with the bodies that had the mandate (the Ministry of Agriculture, the Kenya Dairy Board, and the Horticulture Crop Development Authority), working with them to increase their understanding of the dynamics of the subsectors and their related components. If no one is doing this, there is always a risk that other policies will appear that can undo much of the progress that is being made. A good example of this in dairy is the new law, part of the COMESA (Common Market for Eastern and Southern Africa) agreements, which states that feed cannot be broken down by retailers into smaller packets. The fear here is related to heavy metals and tampering with product quality, but the impact could be to seriously impede the availability of feed to small farmers.

IMPACT OF EXTERNAL FACTORS—RESPONDING TO PROGRAMME RISK

The project memorandum identified several areas of risk for the programme:

- At the output level: the ability to recruit a good manager and getting the overall donor community to encourage (not undermine) market development activities;
- At the purpose level: the overall regulatory environment and inappropriate actions by the Government of Kenya and other donors; and
- At the goal level: the possibility of worsening macroeconomic and political conditions.

In reality, the programme was timed opportunely so that these risks were not a major factor. The programme did get an excellent programme manager who was able to interact with the larger donor community. The BSMDP also started at the same time as other donor projects were taking on the new market development approaches. The BSMDP benefited greatly from close working relations with the USAID Kenya BDS Project, which had been designed at the same time using many of the same principles.

The BSMDP took advantage of a very positive confluence of events that has helped to improve the programme's results. It started just after the elections which brought Kenya back into international legitimacy. With international financial recognition from the International Monetary Fund, new sources of international capital flowing back into Kenya (including remittances), and strong growth in the economy overall, the programme was operating in an environment conducive to success (one of the log frame's assumptions).

At the same time, there were significant changes in the structure of potential partner institutions. The Kenya Dairy Board restructured and had new management that was interested in delivering results. The Government of Kenya invested in the Kenya Co-operatives Creamery, turning it into a dynamic dairy run on business principles. FPEAK, too, adopted new strategies. Each of these organisations had dynamic new management that was not only interested in interacting with the programme, but in taking concrete actions to address constraints in their sectors.

Though the programme benefited from the positive externalities of the change in government and renewed economic growth, as well as changes in key support institutions, the BSMDP also experienced external shocks that disrupted growth patterns and undermined maturing market behaviour:

- Post-election violence had a major impact on the programme's dairy sector activities in western Kenya; and
- Drought and floods disrupted vegetable PMO operations.

These issues caused some of the more fragile programme activities to lose momentum and suffer setbacks. The challenge now will be to see how long it takes the market actors to recover, and whether the gains made under the programme will be recaptured.

MARKET DEVELOPMENT

The rationale for developing business service markets for MSMEs revolves around understanding why these service markets do not already exist. Recognising that markets are always on a continuum of development, it is worthwhile to think about the implications for the role of a programme such as the BSMDP as it evolves over the years (see Figure 8, below). This continuum recognizes that in some cases there is no supply of services and no solvent demand, in other cases there is limited supply and nascent demand, while in yet other situations there is a readily available set of services and adequate demand.

FIGURE 8: MARKET DEVELOPMENT CONTINUUM FOR BUSINESS SERVICES AND IMPLICATIONS FOR DONOR PROGRAMMING[15]

Type of interventions	Market Creation	Market Development	Market Facilitation	Job Completed
Status of market for services	No service supply, no solvent demand	Limited supply, nascent demand	Supply available, demand present, but not connecting	Supply of services meets the demand for the services

This market continuum will vary by subsector. In comparing the BSMDP's export horticulture and dairy subsectors, the markets for services were very different. In dairy, there has been a plentiful supply of trained veterinary staff and an increasing presence of suppliers of basic services (such as artificial insemination, clinical and agrovet services, and so on). There have also been existing technologies, an existing financial infrastructure, and existing models of service hubs (co-operatives). Therefore, the programme was able to facilitate the development of the dairy market more easily. In contrast, the underlying characteristics of the export horticulture subsector were not as developed, requiring far more market development.

Media represented a situation that was probably further along the curve even than dairy. There are many radio stations, and there is an existing and active advertising industry. The initial failure of the market here, prior to the BSMDP, was a lack of awareness of the demand for information over the airwaves and the ability of the radio stations to turn that realisation into a profitable service by selling to the right types of advertisers.

But the role of the programme also evolved as it worked within each of the subsectors. As basic services and models were developed, the BSMDP was able to change the focus of its interventions and move them onto a higher level, building off the results of the earlier activities. This was most evident in dairy (both in regulatory training and service hub development), the media, and export horticulture. As fundamental building blocks were put in place, the programme ramped up and modified its activities to attack the next set of constraints.

The Role of the Supra-Facilitator

A supra-facilitator must understand the level of development of the market in which it is operating, in order to determine its role, the duration of its role, and how it should evolve over time as the industry begins to develop. The supra-facilitator must also understand which facilitator it is supporting and that facilitator's role in the market. In less developed markets, those facilitators are more often likely to be market actors, so one must be careful how much they are used.

The supra-facilitator should clarify the role of the facilitators and the desired end results within the market context within which it is operating. Good facilitators are temporary; however, many of them try to replicate their models rather than develop a model that survives without them. This

[15] Adopted from Michael Field

raises the issue of how to motivate them to move beyond the current challenge by integrating it into the market and then tackling the next level of problems.

An important part of the supra-facilitator's role is to understand the size of each market in which it invests, to ensure that the investment is in line with the industry's potential. Investing in market development is like investing in venture capital—there will be some wins and some losses. Donors must accept this risk.

SUCCESSFUL SERVICE PROVIDERS

One of the clear lessons from the BSMDP (and its parallel project, USAID's Kenya BDS) is the need for sufficient activities for a service provider to become financially viable. Under a programme like BSMDP, service provider development tends to focus on a single product. Yet that single product is not sufficient for the service provider to make a living or be profitable. However, there are many parallel markets within which the service provider could be operating which would use the same skills and make them more viable. Successful service providers in rural Kenya are rarely ever "mono-product" providers. Rather, they need a broad mix to stay alive in the world of smallholder agriculture. Good examples of this are:

- AfriCert, which originally was created and trained to do EurepGAP certification for export horticulture. In order to be viable and support the staff infrastructure, AfriCert has expanded into many other types of certification (with the British Retail Institute, Nature's Choice, and Starbucks, to name a few) and into many other commodities, including coffee and tea.
- The PMOs were created around a single commodity (green beans), yet they were servicing exporters who dealt in a wide range of commodities. The skills they learned could be applied to a much wider range of products. Indeed, the successful ones are now expanding into new products.
- The 90 trainers for the dairy certification were unable to survive just from training traders and transporters. Many went out of business, but the 46 remaining trainers perform a wide array of related services, advising individual farmers, training financial institutions, conducting milk trading, and so on.
- Artificial inseminators need to diversify their activities to include field days, vet supplies, clinical services, and the like.

Therefore, there is a critical role for programmes such as the BSMDP to play in looking beyond the initial service they are trying to promote to the viability of the service provider's enterprise as a whole. This will facilitate expansion of services into new products with synergies arising from the skills used in the primary service.

IMPLEMENTATION AND PROGRAMME RESOURCES

The BSMDP achieved remarkable results across three sectors with fairly limited human management resources. This resulted in some of the areas not being adequately serviced, such as maintenance of the comprehensive monitoring and evaluation system or the synthesis of findings into lessons learned for publication. However, the lessons from the BSMDP and other related projects (Kenya's FSD Trust, for example) include, among others, that adequate resources are needed to properly manage the activities the programme managers conceive. The scarce resource is often the innovative manager of the programme: If that person becomes too tied down in day-to-day management issues, he or she has less time to innovate.

Flexible Financial Resources

A good programme such as the BSMDP, whether for value chain development or other sectoral development, needs an adequate level of a variety of resources, along with flexibility in how to use them. Specifically, such a programme needs funds to:

- Commission studies to structure larger activities;
- Regularly update subsector studies to benchmark the programme's success;
- Conduct monitoring and evaluation, capturing and disseminating lessons learned;
- Obtain specialised external technical assistance to advise the programme management; and
- Bring on programme managers to supervise the implementation of existing programme activities.

The BSMDP, as alluded to earlier, had very few of these resources. It was only at the very end of the programme that some of the grant funds were transformed into contracts to capture the lessons learned from the programme.

The Role and Capacity of Facilitators

The role of the market facilitator is an excellent one for relieving management's burden on a programme team. However, there are relatively few experienced and competent market facilitators. In nascent markets, building and managing a cadre of small facilitators to engage directly in the market takes time. It is far better to find a facilitator who is not a market actor and let that individual, instead, manage the actors. But if there are insufficient market facilitators, doing so becomes a constraint. Although the BSMDP lacked the resources to develop local market facilitators, such development is a very important part of long-term business services development. If facilitators are to be a key element, they need to be developed as well.

Peer Evaluation and Interaction

A cutting-edge programme such as the BSMDP needs steady interaction with experienced individuals from outside the programme to help review the programme's progress. For the BSMDP, the interaction from Gavin Anderson was extremely useful, but it came about very late in the programme's life. Rather, there is a need for strong intermittent technical support for the programme managers, who often become embroiled in day-to-day activities and need good mentoring and peer interaction from a strategic perspective to keep their eye on the "forest" instead of getting lost in the "trees".

CHALLENGES FOR THE NEXT GENERATION OF MW4P PROJECTS

The BSMDP was among the first generation of MW4P projects, along with Katalyst (Bangladesh) and ComMark (southern Africa), that focussed on business services. We have learned many lessons about how the enabling environment affects the economically active poor and the importance of understanding the changing dynamics within value chains as they become more global and as the channels within subsectors take on different characteristics.

Taking It to the Next Level

Development is an ever-evolving process and, having reached one level of solutions, we now need to move onto the next. The BSMDP has demonstrated some good models at the PMO level—with its work with dairy service hubs, agrovet suppliers, and media programming—on how to include smallholder producers and allow them to upgrade their skills to become more profitable. It has proven that these models can work, which is excellent. If there are economic incentives for these services to continue, however, in theory they should become integrated directly into the commercial value chain. But the programme has stopped short of taking it to the next level, where donor funding is no longer involved and the market is driving the whole process, which is the desired end goal.

The current model in Kenya still requires an external facilitator to create the next PMO, so we have not eliminated the need for a donor. As noted above, other donors have picked up the models developed under the BSMDP (BMGF for the dairy service hubs, AGRA for agrovets, among others). Additionally, it still takes an organisation such as Technoserve or AGMARK to continue to develop commercially viable service centres and suppliers that are direct actors within the value chain. This is so for several reasons:

- The larger formal businesses do not yet understand the economic logic behind investing in stronger relationships with small firms. This can occur either through outsourcing production (using contract producers) or developing networks of distributors and retail agents.
- Governance issues within the value chain (power relationships) make it difficult to persuade formal private actors to promote such models (often a function of the maturity of the industry).
- Market facilitators have an incentive to maintain a role for themselves in the value chain, because that is their business.

Therefore, we need to understand how and whether we can take this approach to the industry more directly to create market incentives for market leaders to create PMOs. Are there criteria that define when an industry is mature enough to take this on? Where should this function fall on the market development continuum? At what point should the supra-facilitator take hard decisions that put the facilitators out of a job?

Matching Investments to Anticipated Results

One of the very positive results from the subsector approach and MW4P's work with enabling environments and leveraged investments has been that it focuses on maximising impact and return on investment by seeking systemic change. In many cases, however, programmes are investing in developing a relatively small service market. It is important, therefore, to quantify the size of the markets the programme is dealing with, in order to structure the investment to match the size of the market benefit. In development, it is very easy to spend large sums on activities that can have relatively limited payoffs.

Another aspect to flexible resources lies in the programming. By their very nature, the activities that market development projects engage in are pilots and should be seen as risky investments. Some will succeed and some will fail. There are no sure winners, so we should not be afraid to take risks. This said, there needs to be mechanisms put in place to evaluate the progress of activities and decide when to terminate them or when to invest more in them. In the next generations of MW4P projects, there is a need for effective portfolio management tools that can allow implementers to ascertain where they are getting the best results. Some project activities need more money and others less, so implementers need ways to know what they can do to push their investments deeper into the market development in order to deepen the impact, or when to cull the losers.

EXPANDING BEYOND BUSINESS SERVICES—VALUE CHAIN FINANCE

The BSMDP's focus on business services was in many respects a reaction to the extensive work that had gone into financial services development over the 1990s. Yet the two disciplines are integrally linked. Some of the BSMDP's best successes occurred when there were links to the financial services to pay for the business services. The next generation of MW4P programmes must acknowledge this fundamental relationship and integrate it into the core of the programme.

Annex 1: Terms of Reference

BUSINESS SERVICES MARKET DEVELOPMENT PROGRAMME (BSMDP) PROJECT COMPLETION REPORT

1. Objectives

1.1. At the end of each DFID project in excess of £ 1 million, a project completion report is required as a way to chart project progress, achievement and impact. The objective of this consultancy is to **assess what has been achieved** over the project lifetime and **assess the management** of the programme and the **joint funding** framework. The review should also look forward to MESPT taking up some of BSMDP's work, and provide advice to MESPT and Danida on its future operations.

2. Recipients

2.1. DFID, Danida and MESPT are the recipients of the services of this review. BSMDP will facilitate travel, access to subproject and internal staff time for interviews; as well as avail all relevant documentation to the consultant as and when needed.

3. Scope

The consultancy should undertake to assess the following:

3.1. The **performance** of the project in the three subsectors covered by BSMDP (Export horticulture; Dairy; Media) in achieving the outputs of the Logical Framework.

3.1.1. Effectiveness of activities in delivering outputs and achieving impact;

3.1.2. Appropriateness/effectiveness of the outputs in achieving the project purpose and goal;

3.1.3. Strategic fit of the various subproject interventions in the selected subsectors in relation to their overall economic performance during the period of the project;

3.1.4. Effect of post-election crisis on the project's deliverables/subproject outputs.

3.2. **Management** effectiveness: Programme Management Committee (PMC); DFID; BSMDP management team.

3.2.1. Effectiveness of management strategy. programme management systems, grantee selection process and revised performance contracting introduced in the last year;

3.2.2. Effectiveness of the governance structure (PMC);

3.2.3. Management of the transition (including but not limited to effect of early exit of assistant project manager; proposed entry into the new operational model, MESPT; effect of end of DFID financial support on future business development services activities)

3.3. Effect on the project of **joint donor funding** (DFID/Danida): including but not limited to the effectiveness/appropriateness of the joint logical framework; analysis of associated transaction costs).

3.4. The review will also **look forward** at the plans of MESPT and Danida in taking over core portions of BSMDP's activities. The review should offer concrete recommendations to assist with future implementation.

3.5. The consultant should draw upon **existing literature** as much as possible in completing the assignment. This should include the 2007 OPR and 2088 case studies completed by The Springfield Centre.

4. Methodology and Personnel

4.1. The methodology should include restricted field visits and interviews but primarily draw upon existing literature and reviews. The consultant should provide a schedule and methodology to DFID and other stakeholders one week prior to the assignment. BSMDP staff will be responsible for providing logistical arrangements.

5. Reporting and Timing

5.1. The outputs for the programme will be as follows:

5.1.1. Initial methodology and schedule for the mission to be agreed with BSMDP and development partners (2 pages maximum by first week of May 2008);

5.1.2. Debrief and aide memoir at the end of the mission for DPs and the programme;

5.1.3. Main report for DFID and Danida of not more than 30 pages (excluding annexes);

5.1.4. Finalised DFID scoring sheet (Project Completion Report) that is agreed with BSMDP—template to be provided by DFID to the team.

5.2. The consultancy will be for a total of 18 days, with 14 days in country, and 4 days for travel, reading and report writing. The consultant will be an experienced practitioner in subsector and market development, with an in-depth knowledge of Kenya. The fieldwork will commence during the week of 19th May 2008 with all outputs delivered by the second week of June 2008.

6. DFID Co-ordination

6.1. The consultant will primarily report to DFID's Lead Adviser (Frank Matsaert) and Project Officer (Irene Ndungu) but also Danida (Hans Henrik Madsen) and MESPT. The consultant should work closely with BSMDP staff, especially Kevin Billing. The outputs for the programme will be as follows:

7. BACKGROUND

7.1. The overall goal of the project is to improve pro-poor economic growth opportunities in key subsectors where the poor are economically active. The Kenyan Government policy recognises that the private sector is essential to creating employment and driving upwards pro-poor growth rates. This is outlined in the new Government of Kenya Private Sector Development Strategy (PSDS) that lays out key priorities in improving the growth, competitiveness and value addition of key subsectors in Kenya's economy within Goal 5.

7.2. DFID Kenya approved the BSMDP extension to the project in 2006. It aimed at developing the competitiveness of key agricultural and agroprocessing subsectors (Dairy and Horticulture) through improving the supply and impact of business services. The purpose of the project was to facilitate the development of more effective markets for business services in important subsectors–dairy and horticultural export crops grown by smallholders. In achieving this purpose, the project should identify key business constraints at micro and sectoral levels and proactively leverage effective market-based solutions through appropriate partners. The solutions to constraints should be encouraged to be supplied by the private sector as genuine business opportunities.

7.3. In February 2007 Danida signed an MOU with DFID thereby joining the project with the intent of co-financing and widening the scope of the project to include the incorporation of Information and Communication Technology (ICT) and technical and vocational training (TVT) in the two subsectors identified.

7.4. The Annual Review in June 2007 was designed to be more comprehensive than the normal annual reviews as this was the final project year. It was anticipated at the time that the Project Completion Report review process would be less intensive and build upon the 2007 review. Additionally, the project's Logical Framework was revised as part of the 2007 Annual Review. The revision integrated the goals of the joint programme framework for Danida and DFID. At the end of 2007 a number of case studies were initiated to look at the impact of BSMDP's key work streams. These case studies form an important information source for this consultancy. The case studies revealed that BSMDP's monitoring systems lacked robustness, but that there are good signs of positive impact. Danida plans to take forward the most promising of BSMDP's interventions into a new programme with MESPT. DFID ceased its funding to BSMDP at the end of April 2008 and transferred the core assets of BSMDP to MESPT to continue the work.

7.5. This project completion report marks the end of DFID's work with BSMDP. The core rationale for the review is to capture lessons leant for the ongoing operations of BSMDP with MESPT (and Danida), but also internally within DFID.

KEY DOCUMENTS

The consultant will read the following background material:

- 2008 case studies (The Springfield Centre);
- Effects of post-election crisis reports (including: “Business response to post conflict situation in Kenya”; “Impact of Post Election Violence on the Kenyan.ppt”
- Previous Annual Reviews;
- BSMDP Logical framework;
- Danida’s BSPS;
- Private Sector Development Strategy and related documents;
- The Project Business Plans for 2007/2008;
- DFID’s Kenya Country Assistance Plan;
- The Quarterly reports;
- PMC TORs
- IFAD funding proposal of the GOK *Smallholder Horticulture Marketing Project and Smallholder Dairy Commercialisation Project.*

Revised Version: 6 May 2008

Annex 2: Strategic Concerns for the Transfer into MESPT

The BSMDP has had a rare level of success in developing programmes in two agricultural value chains and in the media/ICT sector. However, there will be big changes in the implementation team moving into the next phase. If DFID and Danida wish to see the success continued in the next phase of the programme as BSMDP integrates into MESPT, a number of issues need to be considered and addressed properly:

Ensuring strategic vision. One of the acknowledged success factors of the overall impact of the BSMDP has been the overall structuring of the activities arising out of the subsector studies carried out in 2001. The studies highlighted the dynamics of change and the key strategic threats to the industries, clearly laid out the size of the main markets that the economically active rural poor were serving and the channels through which they were reaching them. This allowed BSMDP to focus the programme activities on the strategic issues relevant to the growth of the subsector (big picture to keep the market opportunities for the poor alive) while continuing to innovate on the development of business services that increased the ability of small holders to upgrade and grow within the subsector.

Ensuring a synergistic relationship between the two components focusing on capacity building. The BSMDP activities are very different from those that MESPT has been dealing with to date. Establishing common points and good synergies between them will enhance the future programme relationship. There is potential for strong synergies between the two capacity building components (2.1 and 2.2), especially by focusing them on the financial sector services which are needed by the value chains. The delivery of financial services has not been a focus of BSDMP (though it has created many of them), yet they are equally important to all of the members of the value chain - direct VC actors as well as the business service providers.

Continuing to use the subsector (value chain) as a strategic construct for diagnosing the entire system, and then focusing on systemic growth. MESPT has the opportunity to set itself up as a strategic leader in business services development and take on the role of a "supra-facilitator". The EU is considering funding two more value chains, and Danida wants to add one more. They should use a clear and transparent selection process, with a focus on impact on the poor, to select the subsectors they are going to be involved in and then do good subsector analysis to lay out the major strategic options.

Maintaining their role as a supra-facilitator. If funded as a "supra-facilitator" then MESPT must be careful not to get involved in direct service provision. Needs to be a clear separation of powers between subsidized development (donor funded) services, and commercial services. They will need to keep clarity of the focus of the activities they are facilitating towards achieving the overall growth of the sector.

Managing the implementation for innovation. An effective market development program requires thoughtful flexibility during the implementation, with the ability to modify activities as new opportunities arise. Mechanisms must be in place for the BS manager to maintain flexibility and help the service providers BSMDP has been working with to open up new products and subsector areas in order to maximize the financial viability of their activities.

Ensuring that there is continuation of the most effective programs currently operating under BSMDP. A number of the current subprojects have been quite effective in pushing learning and growing their subsectors. Follow-on projects are needed to continue this progress. But they should not just provide "more of the same", but need to evolve and rethink of what they are going to be doing in order to have the desired significant impact. (FIT for media and ICT, SITE for dairy)

Ensuring that there is a manager capable of implementing the programme.

- Must have strategic vision for the implementation of subsector/VC programs
- Manager needs to have a crash course in the sectors he is working in – dairy and ICT/Media.
- Be able to think through next steps and help push the facilitators to innovate (in the right direction).

RECOMMENDATIONS

- Refresh the dairy value chain analysis to determine how the dairy sector has evolved since 2001 and to refresh the strategic vision for increased inclusion of small holder producers in the subsector.
  - Including the new programme director in this process will greatly enhance his/her understanding of the sector.
- Build off of the existing skill sets of associated service providers working with MESPT to focus on developing value chain finance activities that focus on providing needed finance to i) grow the subsectors overall and ii) to address the specific finance requirements of the value chain actors (i.e. producers, processors, traders) as well as the business service providers (suppliers of agro-vet inputs, vet services, AI, transport, packaging, trainers, IT, etc). These financial services are needed to upgrade their skills and enhance their capacity to operate. This will require:
  - Specific analysis of the value chains from a financial service perspective
  - Identification of financial service requirements;
  - Work with financial institutions to build their awareness of the needs for the financial products.
  - Provide assistance to the financial institutions to develop the new products.

Annex 3: List of People Interviewed during the PCR

Person	Title	Organization	Date Met	Contact Details	E-mail
Frank Matsaert	DFID Senior Growth, Trade and Investment Adviser for East Africa	DFID	19 May	0733 526 042	
Tim Lamont	DFID Economic Advisor – Kenya	DFID	19 May	0733 606 726	
Irene Ndungu	Prog Support Officer	DFID	19 May	0723 968 580	
Kevin Billing	Programme Manager	BSMDP	19 May	0721 364 992	
Valerie Mukuna	Project Officer	BSMDP	19 May	0727 534 898	
Amos Waweru	Consultant,	Standards and Solutions Consulting	20 May	0720 961 718	kakamodo@gmail.com
Dr Philip Cherono	Tech Services Manager	Kenya Dairy Board	21 May	0725 700 962 20 27 23 913	pcherono@kdb.co.ke Pcherono2006@yahoo.com
Machira Gichoi	Managing Director	Kenya Dairy Board	21 May	0722 700 717	
Muhoho Kenyatta	CEO	Brookside Dairies	21 May		
Harun Baiya	Chief Executive	SITE Enteprise Promotion	21 May	254-20-2720134/5	Harun_baiya@sitenet.org
Judy Kithinji	IQAM Project Officer	SITE Enteprise Promotion	21 May		
Silas	Business Service Provider		21 May		
Fred Ogana	Country Director	Technoserve	21 May	20 375 4333/4,5,7	fogana@technoserve.or.ke
Nathaniel Makoni	Regional Director	African Breeder Services	21 May	0722 692 005	abstcm@iconnect.co.ke
Ruth Nyagah	Managing Director	AfricCert	20 May	0722 209908 254-20- 828 859	rnyagah@africert.co.ke
Dr Stephen Mbithi	Chief Executive	Fresh Produce Exporters Assn of Kenya	20 May	0722 716 956 254-20-445 1488 20-4450442	chiefexecutive@fpeak.org
Cosmas Kyengo	Tech Manager	Fresh Produce Exporters Assn of Kenya	20 May	0720 723 551	Cosmas.kyengo@fpeak.org
Julie Kariuki	Senior Business Advisor	Technoserve Kenya	22 May	0723 721 920	jkariuki@technoserve.or.ke
	Chairman	Nyala Dairy Coop	22 May		
Francis	Manager	Nyala Dairy Coop	22 May		

Person	Title	Organization	Date Met	Contact Details	E-mail
	Business service provider	Deighton Enterprises	22 May		
	BSP	Deighton Enterprises	22 May		
	BSP		22 May		
Richard Isiaho	Executive Director	FIT Resources	23 May	0722 240 865	Isaiho@fitresources.org
Ailsa Buckley	Consultant	FIT Resources	23 May		
David Saunders		FIT	28 May??		
Jeff Njagi	CEO	MESPT	3 pm 26 May	254-20-374 6354	jnjagi@mespt.org
Patrick Lumumba	Programme Officer	MESPT	26 May	254-20-374 6354	plumumba@mespt.org
Dave Dupras	COP KBDS	Kenya Business Development Services Project (USAID)	8 a.m. 28 May		
		Agribusiness and Allied	4pm 29th May		
Melissa Phillips		Research International	28 May		
David Knopp	Former COP	KBDS	28 May, TBC		
Hans Henrik Madsen	Counsellor Development	Danida	26 May	0722 515 317 254-20-445 1460-3	hahmad@um.dk
Joe Okudu		Danida	27 May		

Annex 4: Business Services Market Development Programme Contracts

Export Horticulture
(amounts in Euro)

Contract Number	Contractor	Project Title	Commence-ment Date	Project Duration	Contract Amount	Total Amount Disbursed	Amount Remaining	Status
H-C-01	The REAL IPM Company (K) Limited	Verification Study on Small-Holder Involvement in Export Horticulture	28-Jan-04	4 Months	19,290	18,822	468	**Completed**
H-C-02	Bio Systems Limited	Consultancy support for stakholder consultation	12-Oct-04	Short Term	8,458	0	8,458	**Completed**
H-SP-01	PMU Managed	Capacity building for Private Sector Training Providers on EUREPGAP Regulations	17-May-04	Short Term	61,197	58,091	3,106	**Completed**
H-SP-02	PMU Managed	Institutional Strengthening & Support of Associations and Service Provider Groups in Export Horticulture	4-May-04	18 Months	51,439	50,237	1,202	**Completed**
H-SP-03	ICIPE	Awareness campaign for export horticulture producers and out grower groups to comply with EUREPGAP Protocols	2-Jul-04	6 months	130,217	86,037	44,180	**Completed**
H-SP-03 M&E	ICIPE Radio Programme M&E	External Monitoring and Evaluation for BSMDP on ICIPE Radio Programme	11-Sep-04	6 months	13,740	13,540	200	**Completed**
H-SP-04	Africert Limited	Capacity building and technical assistance to a local certification body - Africert Limited	15-Jul-04	9 Months	32,780	31,808	972	**Completed**
H-SP-04 Extension #1	Africert Limited	Capacity building and technical assistance to a local certification body - Africert Limited	21-Dec-04	9 Months	37,394	37,394	0	**Completed**
H-SP-04 Extension #2	Africert Limited	Capacity building and technica assistance to a local certification body - Africert Limited. Extension #2	23-Jun-05	5 Months	79,888	73,200	6,688	**Completed**
H-SP-05	Adhek Exporters Limited	Study on cost implications of EUREPGAP certification for farmer groups and potential for area based service provision solutions	5-Aug-04	3 months	24,021	25,921	-1,900	**Completed**
H-SP-05 M&E	ICIPE	External Monitoring and Evaluation for BSMDP on ADHEK exporters Sub-Project	6-Sep-04	4 Months	23,925	8,308	15,617	**Completed**
H-SP-06	CARE Kenya	Support on possible REAP joint Venture Company and EUREPGAP Certification in Kibwezi	1-Oct-04	5 Months	81,507	77,907	3,600	**Completed**
H-SP-07	Reach The Children CDC	Support for EUREPGAP Certification of the area group system in Machakos area	1-Oct-04	5 Months	33,950	13,580	20,370	**Terminated**
H-SP-07 Reactivation	PMU Managed	Support to Kithima Area farmers group Machakos onEUREPGAP certification	1-Nov-05	4 Months	90,688	58,185	32,503	**Activities Suspended**
H-SP-08	The House of Quality	Development and Implementation of EUREPGAP Quality Mangement Systems for Smallholder Farms and Farmer Groups	3-Nov-04	5 Months	44,820	45,682	-862	**Completed**
H-SP-09	Freshlink VMO	EUREPGAP Implementation for Freshlink VMO	22-Nov-04	9 Months	81,005	80,827	178	**Completed**
H-SP-09/A	Freshlink VMO Phase II	EUREPGAP Implementation for Freshlink VMO - Phase II	4-Aug-06	10 months	50,000	25,827	24,173	**Activities Suspended**

Contract Number	Contractor	Project Title	Commence-ment Date	Project Duration	Contract Amount	Total Amount Disbursed	Amount Remaining	Status
H-SP-09 M&E	Freshlink VMO M&E	Independent Monitoring and Evaluation on the Grant Sub-Project: EUREPGAP Implementation for Freshlink VMO, plus extended impact assessment at farmer level.	20-Dec-04	9 Months	19,673	17,624	2,049	**Completed**
H-SP-09 Wrap up	Standards and Solutions	Wrap-up and documentation of the freshlink VMO Ltd nsu-project	23-Oct-07	5 Months	9,076	6,058	3,017	Ongoing
H-SP-10	The REAL IPM Company (K) Limited	Media Workshop on the Implications of Eurepgap and EU MRL Regulations	29-Nov-04	1 Month	4,670	4,589	81	**Completed**
H-SP-11	PMU Managed	EUREPGAP Chairman's working visit to Kenya, and support to the EUREPGAP Technical Working Group Committee.	21-Feb-05	3 months	7,614	7,228	386	**Completed**
H-SP-12	Fresh Produce Exporters of Kenya (FPEAK)	Implementation of selected objectives of strategic plan lobby and facilitation, capacity building and local/international industry standards	15-May-05	11 months	263,004	271,677	-8,673	**Completed**
H-SP-13	ICIPE	Development of private sector service providers for the horticultural industry in Kenya (extension)	2-Jun-05	7 months	89,001	41,685	47,316	**Completed**
H-SP-14	ICIPE	Pilot project for the production of a generic QMS Smallholder Manual under EUREPGAP Option 2	26-Sep-05	8 months	150,483	150,483	0	**Completed**
H-SP-14 M&E	Standards and Solutions	Independent Monitoring and Evaluation on the sub-project "Pilot project for the production of a generic QMS Smallholder manual under EUREPGAP Option 2"	20-Oct-05	6 months	68,298	64,241	4,057	**Completed**
H-SP-15	Horticultural Ethical Business Initiative - HEBI	Support to the Horticultural Ethical Business Initiative to reformulate business strategy and determine a sustainable way forward based on demand-driven service delivery	6-Jul-06	6 months	46,700	34,328	12,372	**Terminated**
H-SP-16	Africert Limited	Support to the marketing and positioning of AfriCert Limited as a Certification Body both locally and in the international market	15-Aug-06	12 Months	37,100	35,153	1,947	**Completed**
		TOTAL			**1,559,938**	**1,338,434**	**221,505**	
			Less Residue on completed sub-proj		129,069			
			Less Residue on terminated sub-proj		89,418			
			Total Grant commitment		**1,341,451**			

Dairy

(amounts in Euro)

Contract Number	Contractor	Project Title	Commence-ment Date	Project Duration	Contract Amount	Total Amount Disbursed	Amount Remaining	Status
D-SP-01	Quest Laboratories Limited	Milk Quality Improvements at co-operatives in Meru Central	24-Mar-04	9 Months	29,915	31,223	-1,308	**Completed**
D-SP-01/A	Analabs Limited	Improving, Expanding and Extending Profitable Milk Testing Services for Dairy Enterprises	1-Apr-04	9 Months	76,840	60,074	16,766	**Completed**
D-SP-02	Technoserve	Improving the efficiency of milk marketing via the development of sustainable service providers	1-Jun-04	12 Months	339,442	339,517	-75	**Completed**
D-SP-03	Brookside Breeders Show	Sponsorship for small-scale farmers to visit the Breeders show (transport and entrance fees) 2004 & 2006 Shows	17-Jun-04	Function based	69,188	66,486	2,702	**Completed**
D-SP-03 TS	Micky Griffith	Technical support to the 2008 livestock breeders show		6 Months	5,640		5,640	**Ongoing**
D-SP-04	Development Outcomes Limited	Providing technical and commercial solutions in the loose milk supply chain.	27-Jul-04	6 Months	40,462	40,461	1	**Completed**
D-SP-05	Practical Action (Formally Intermediate Technology Development Group - EA)	Appropriate Technology Interventions in the Development of Profitable and Efficient BS Markets in Dairy.	5-Aug-04	14 Months	248,448	248,448	0	**Completed**
D-SP-06	CAIS	Sponsorship for a field day for AI service providers and support to the AI workshops for CAIS Agents and service providers.	1-Nov-04	18 Months	42,165	42,014	151	**Completed**
D-SP-06 M&E	CAIS M&E	Technical support to Centre for Artificial Insemination Station and independent monitoring and evaluation on the artificial insemination workshops for agents and service	2-Feb-04	11 Months	18,385	17,651	734	**Completed**
D-SP-06 TS	CAIS Technical Support	Technical support on efficient use of liquid nitrogen at the Central Artificial Insemination Station (CAIS)	23-Aug-05	6 months	28,300	25,350	2,950	**Completed**
D-SP-06 BP	CAIS Busines Plan Support	Business Plan for CAIS AI Agents and liquid nitrogen distribution	1-Aug-06	6 Months	22,600	17,324	5,276	**Completed**
D-SP-07	SITE	Improving quality assurance in milk market through training and certification of MSE's	16-Nov-04	14 Months	245,091	242,310	2,781	**Completed**
D-SP-08	Agricultural Market Development Trust	Improving the productivity and incomes of smallholder dairy farmers in Western Kenya	12-May-05	12 months	117,120	108,852	8,268	**Completed**
D-SP-09	Camel Milk Dairy Limited	Product and marketing development for camel milk	6-May-05	12 months	250,320	211,702	38,618	**Completed**

Contract Number	Contractor	Project Title	Commence-ment Date	Project Duration	Contract Amount	Total Amount Disbursed	Amount Remaining	Status
D-SP-10	Orchard Spillers	Development of a business model linking hawking to milk bars and kiosks in the peri-urban area.	17-Jun-05	10 months	60,900	41,237	19,663	**Terminated**
D-SP-11	PMU Managed	Support to producer Associations - KLBO and KLPA	10-Sep-05	short-term	30,000	28,771	1,229	**Completed**
D-SP-12	Technoserve	Dairy Enterprise Scoping Study of Western Kenya	20-Mar-06	3 months	58,485	59,143	-658	**Completed**
D-SP-13	Meta Praxis	Support to Meta-Praxis to enabe refomulation of business strategy and dertermine a sustainable way forward based on deman-driven service delivery	28-Jul-06	6 months	24,500	19,962	4,538	**Activities Suspended**
D-SP-14	Technoserve	An innovative approach to private dairy enterprise venture for Western Kenya	23-Aug-06	17 months	696,000	652,627	43,373	Ongoing
D-SP-15	SITE (Jointly funded DFID - 40%: Danida 60%)	Improving quality assurance in the milk market via the development of a ssutainable and pro-active training and licensing process for informal sector participants (IQAM 2)	28-Jun-07	9 months	123,275	104,702	18,573	Ongoing
D-SP-16	Development Outcomes Limited	Facilitate regulatory approval of milk dispensing equipment and system for Kenya	21-Sep-07	6 months	32,610	11,322	21,288	Ongoing
		TOTAL			**2,559,686**	**2,369,176**	**190,510**	
			Less Residue on completed sub-projects		91,822			
			Less Residue on terminated sub-projects		19,663			
			Total Grant commitment		**2,448,201**			

General
(amounts in Euro)

Contract Number	Contractor	Project Title	Commencement Date	Project Duration	Contract Amount	Total Amount Disbursed	Amount Remaining	Status
G-SP-01	FIT Resources Limited	Development of commercially sustainable interactive radio programmes that target SME's in Kenya's Agricultural Sector.	24-Nov-04	4 months	26,963	21,146	5,817	**Completed**
G-SP-02	FIT Resources Limited	Development of commercially sustainabe, interactive radio programme(s) that target and respond to the business issues of micro and small enterprises in Kenya's Agricultural Sector.	24-Aug-05	7 months	154,074	125,176	28,898	**Completed**
G-SP-02 M&E	Research International	Monitoring and Evaluation on the Grant Sub-Project: Development of commercially sustainable, interactive radio programme(s) that target and respond to the business issues of micro and smll enterprises in Kenya's Agricultural Sector.	31-Jan-06	3 months	28,254	26,460	1,794	**Completed**
G-SP-03	FIT Resources Limited	Development of commercially sustainable interactive radio programme(s) that target and respond to the business issues of micro and small enterprises in Kenya's Agriculturеal Sector - Phase II	15-Sep-06	7 months	254,761	224,060	30,701	Ongoing
		TOTAL			**464,052**	**396,842**	**67,210**	
			Less Residue on completed sub-projects		36,509			
			Total Grant commitment		**500,562**			