

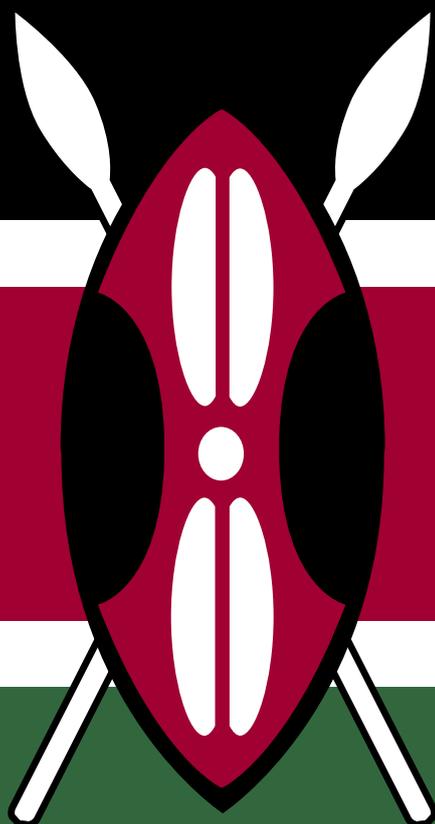


EVALUATION OF DANIDA SUPPORT TO VALUE CHAIN DEVELOPMENT

Kenya Country Study

EVALUATION

February 2016



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List of Abbreviations

BSPS	Business Sector Programme Support
DFID	Department for International Development
MESPT	Micro Enterprise Support Program Trust
MSME	Micro-, Small- and Medium-sized Enterprise
NRM	Natural Resource Management
REACT	Renewable Energy and Adaptation to Climate Change Technologies
SME	Small- and Medium-sized Enterprise
ToC	Theory of Change
VC	Value Chain
VCD	Value Chain Development

1 Background/Introduction

Danida has supported Value Chain Development (VCD) in different forms since 2002. In order to assess Danida VCD support and to provide recommendations for the future, Danida's evaluation department (EVAL) has commissioned Orbicon A/S and the Centre for Development Innovation (CDI), Wageningen UR to undertake an external evaluation.

The purpose of the evaluation is to contribute to improving the design and implementation of Danida's bilateral program cooperation. The evaluation will primarily focus on the learning aspects, thereby providing an opportunity to enhance Danida's capability in the area of VCD support.

The evaluation focuses on Danida VCD intervention within 11 countries: Burkina Faso, Ghana, Kenya, Mozambique, Tanzania, Uganda, Zimbabwe, Central America (Regional Programme, covering Honduras and Nicaragua), Albania, Serbia and Ukraine. Three countries have been selected as primary case countries (Serbia, Uganda and Burkina Faso) and two countries as secondary case countries (Ukraine and Kenya). The primary case countries have included two-weeks fieldwork missions while the secondary case countries have included three-four days visits.

This report contains the evaluation case study for **Kenya. This evaluation is not a traditional programme evaluation but is particularly focusing on the VCD perspective.**

1.1 Brief presentation of the VCD interventions

The second phase of the Business Sector Programme Support (BSPS II) in Kenya was initiated in the beginning of 2011 with the objective of increasing access to markets for Micro, Small and Medium Enterprise (MSMEs) in selected value chains, with particular emphasis on rural producers, women and youth, in line with Kenya's Vision 2030 and the current Private Sector Development Strategy. BSPS II had a total budget of DKK 320 million and has been implemented from 2011 to 2015. The programme has three components:

1. Improvement of the Business Environment Component comprising the Business Advocacy Fund and the Trademark East Africa sub-components.
2. Competitiveness of Micro-, Small-, and Medium-sized Enterprises (MSMEs) component.
3. Innovation and Piloting Green Energy Component comprising the Climate Innovation Centre, and the Renewable Energy and Adaptation to Climate Change Technologies in Kenya (REACT Kenya) sub-components.

These components include sub-components, which are often financed through basket arrangements with other donors, in particular DFID.

This country is focusing mainly on the VCD interventions in Component 2. The implementing agency for Component 2 has been the Micro Enterprise Support Program Trust (MESPT). Component 2 focused on 14 chains in the past, which got reduced to nine

chains during the implementation period. Out of the nine chains, the evaluation focused on the export vegetable chain.

1.2 Evaluation methodology

The allotted three days for the country mission was not sufficient to cover more than one chain. Since farmers and SMEs engaged in production and export of vegetables are located close to Nairobi, or even within the city, the export vegetable chain was selected for visits and interviews to cover as much as possible of that chain.

Table 1: Approach to evaluation

1. Focus Group Discussions	Methodology
Farmers (11 from 2 farmer groups) 1 service provider within Ngoriba, 1 exporter, 1 consultant, 2 staff from MESPT	Interview was conducted with support of MESPT staff (local language) based on questionnaire
Exporters (15), MESPT staff (2)	Interview was conducted by evaluation team support based on questionnaire complemented by questions on integration and ambition level
2. Site visits	
Cold storage and processing facilities and interviews with the owners	Interview was conducted by evaluation team support based on questionnaire complemented by questions on integration and ambition level
Vegetable farm in Ngoriba region active in export horticulture	Farmer was part of FCD
Macademia nut facility (nuts is part of the fruit and vegetable chain)	Tour in the facility, production manager explained production process (planned interviewee was not present)
Horticultural export company	Interview was conducted by evaluation team support based on questionnaire complemented by questions on integration and ambition level
3. Key stakeholder interviews	
Embassy staff (2) overseeing implementation of Component 2	Interview was conducted by evaluation team support based on questionnaire specific for interviewees
MESP management and staff (8)	Interview was conducted by evaluation team support based on questionnaire specific for interviewees
4. Review of available program documents	The evaluation team has reviewed all the available documents (all chains, not only horticulture)

The short evaluation visit did not allow for visits to other chains further from Nairobi, neither briefing with MESPT staff. The latter was compensated by two-three MESPT staff accompanying the evaluation team for the visits making the review a learning experience for them as well.

2 Theory of Change and Value Chain Analysis

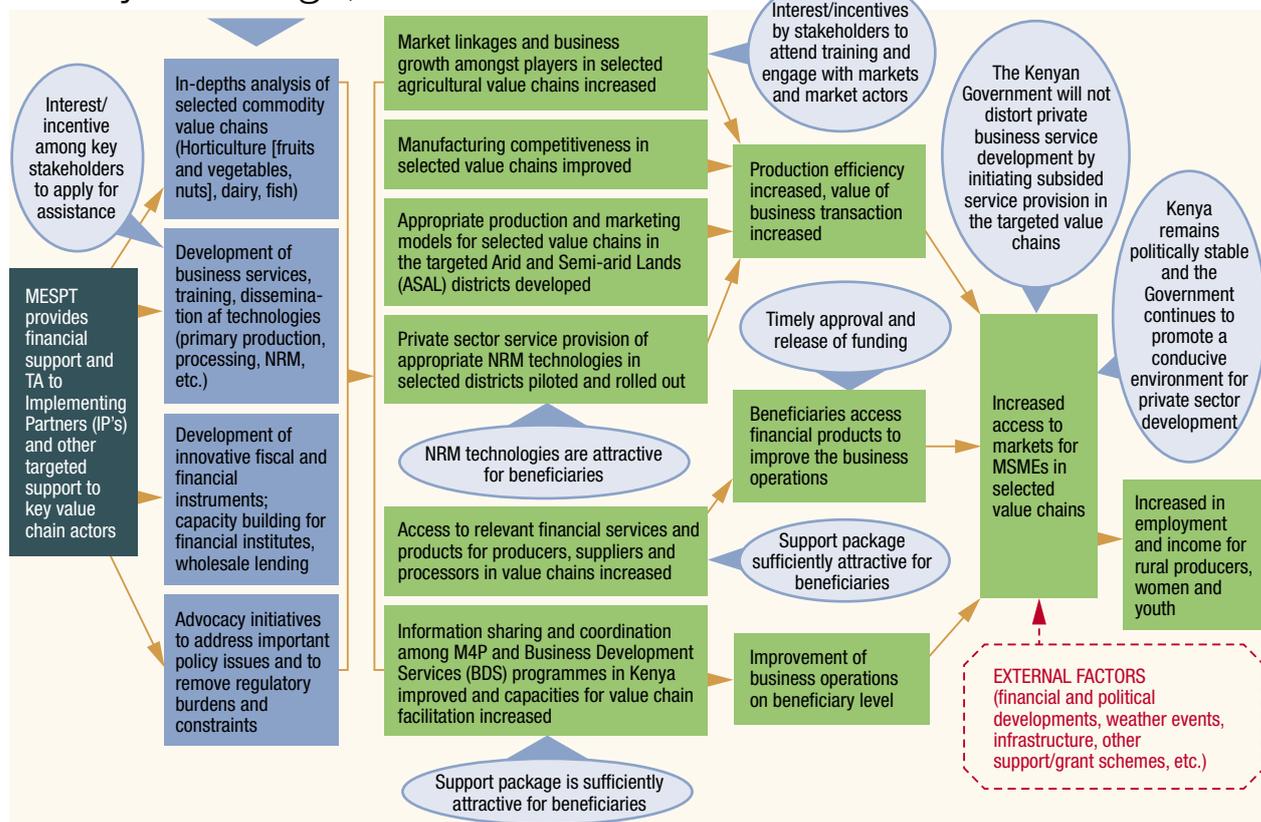
2.1 Assessment of the Theory of Change

The impact of Component 2 was defined as increased employment and income for rural producers, with focus on women and youth, and enhancing market access for MSMEs in the selected value chains (see ToC, Figure 1). The overall strategy of the VCD interventions has been to provide support to all three layers of the wider value chain (three-pronged approach):

4. Improve the business environment: advocacy to remove regulatory burdens – this has been mostly picked up in Component 1 of BSPS II, but MESPT has also contributed to this trajectory.
5. Enhance capacities of value chain actors (capacity building to improve production technology, increase production and access to market, disseminate technology, enhance natural resource management (NRM), provide access to grants and matching funds for certification such as GLOBALG.A.P., ISO 22000 and infrastructure)
6. Support value chain service providers: enhance capacities of financial institutes to provide access to finance for beneficiaries, set up association of service providers.

Figure 1. Theory of change, Kenya, Component 2.

Theory of Change, KENYA



Six outputs were defined for Component 2. These outputs are listed in Table 2 below together with the earmarked budget.

Table 2: Outputs of Competitiveness of Micro-, Small-, and Medium- sized Enterprises (MSME) component

Outputs of the component	Budget
Output 1: Market linkages and business growth amongst players in selected agricultural value chains increased	DKK 23 million
Output 2: Manufacturing competitiveness in selected value chains improved	DKK 3 million
Output 3: Appropriate production and marketing models for selected value chains in the targeted Arid and Semi-arid Lands (ASAL) districts developed and increased	DKK 39 million
Output 4: Private sector service provision of appropriate NRM technologies in selected districts piloted and rolled out	DKK 32 million
Output 5: Access to relevant financial services and products for producers, suppliers and processors in value chains increased	DKK 11 million
Output 6: Information sharing and coordination among M4P and Business Development Services (BDS) programmes in Kenya improved and capacities for value chain facilitation increased	DKK 4 million

The evaluation did not find a comprehensive and consistent M&E reporting system based on which targets, baselines and achievements could be compared against at component level or at value chain level throughout the project.

2.2 Assessment of the value chain design, approach and implementation with focus on export horticulture

Value chain analysis

One of the key success factors to VCD has been value chain analyses as these have highlighted bottlenecks and opportunities in the different value chains. Interviews with MESPT staff revealed that value chain analyses of the different value chains had been implemented by external consultants. According to staff, the quality of the analyses were very diverse in terms of quality. The evaluation has reviewed four value chain analyses received from MESPT staff during the country visit: mango, export vegetables, macadamia and coconut. The quality of the former two is acceptable; that of the latter two is very good.

Product-push vs. market-pull VCD strategy and chain selection

Developing a market-pull strategy combined with chain selection in priority chains worked well, as it provided focus for the VCD interventions.

Based on a review of documents from BSPS I and II, and the visit to MESPT, it seems that there is definite improvement in VCD thinking between the two programmes. While BSPS I is very strong on primary production, BSPS II is more explicit about market access (**push vs. pull strategy**). Value chain selection did take place. In BSPS

I, the number of **value chains** is around 20, while in BSPS II, the program gains more focus by **selecting** nine value chains based on a list of criteria (Table 3).

Table 3. Rating by MESPT staff to evaluate value chains for further support

	Export vegetables	Mangoes	Sunflower	Poultry	Dairy	Passion	Macadamia	Moringa	Chillies	Cashew nut	Coconut
Value Chain rating											
Potential for scale up (within or without same area)	117	102	50	85	103	109	82	70	97	73	80
Potential for employment creation	123	109	46	75	87	97	76	66	94	72	90
Potential for increased income per farmer	111	108	48	72	99	104	80	73	86	74	81
Potential to impact on youth & women	110	98	63	100	86	97	56	85	89	57	69
Potential for Green growth opportunities	104	110	56	61	108	99	90	78	90	81	104
Potential for increased market access	111	106	56	74	107	114	96	82	84	78	88
Commodity Profitability	107	108	50	74	99	98	89	78	82	83	81
Total Earned	783	741	369	541	689	718	569	532	622	518	593
Max Points	910	910	910	910	910	910	910	910	910	910	910
Ranking	1	2	11	8	4	3	7	9	5	10	6

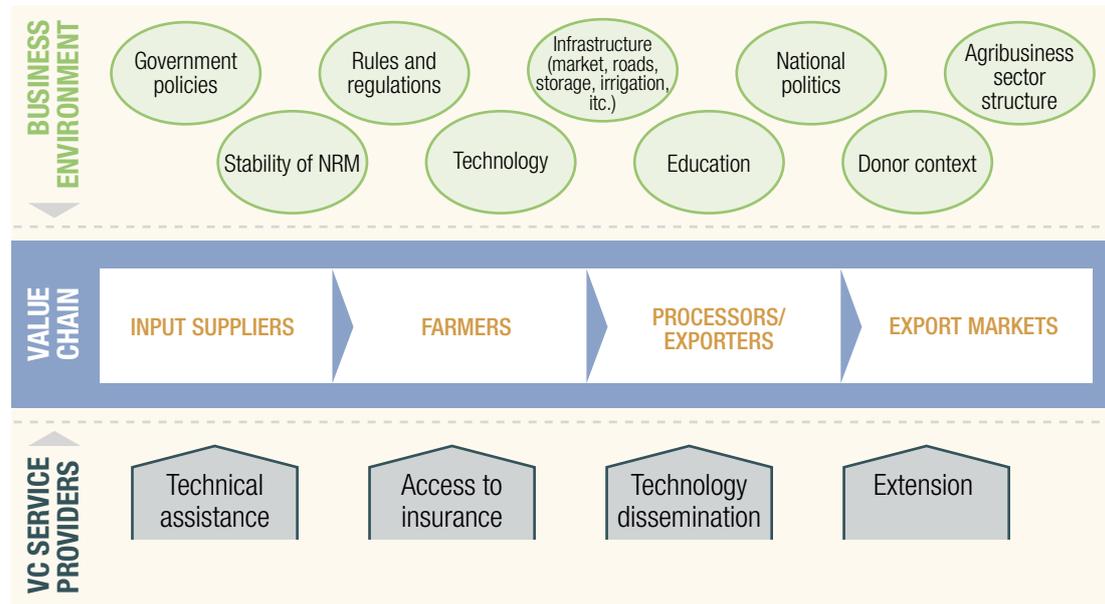
Some value chains have been so successful that they did not need further attention from MESPT (moringa); others have been phased out for a variety of reasons: farmers' reluctance to replace old orchards (cashew), lack of reliable buyers (sunflower) and other donors stepped in (poultry).

Bottlenecks and opportunities including sector-wide challenges in the wider value chain

To analyse bottlenecks and opportunities in value chain interventions, the wider value chain has been used as framework: business environment, value chain, value chain service providers.

Figure 2. The wider value chain for export vegetables chain in Component 2.

Value Chain map – Kenya



Business environment

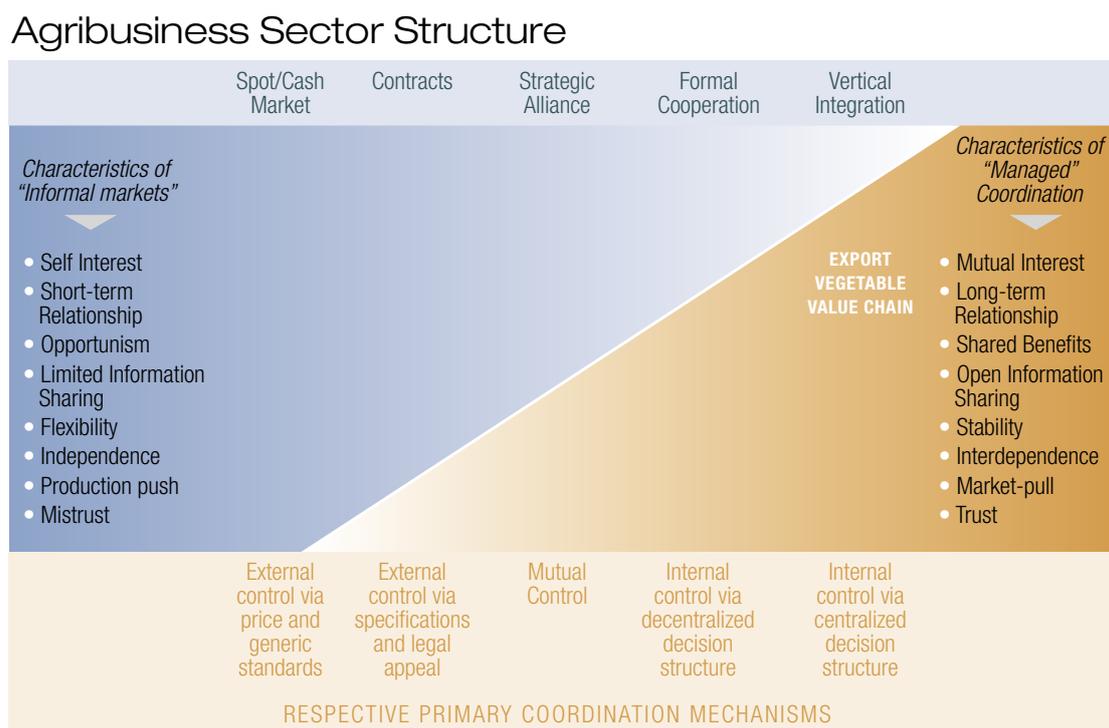
While the government support for private sector development continued in Kenya, there were also negative impacts on VCD in terms of national politics and government policies.

National politics: According to interviewed staff at the Royal Danish Embassy, there was a study done after the post-election violence on its impact on the different value chains. The challenges already started 12 months before election as businesses are on hold because future is not clear. During the last election period, GDP went down from 6% to 2%.

Government policies: Government banned export of cashew, which created enormous problems for the exporters. Local consumption is low. Levies on certain crops when crossing counties have unfavourable impact on prices and competition across counties. At the same time, a new law is being introduced to tax farmers who have more than one acre coconut. Women and youth cannot own land, they can only lease. However, bringing in new practices is very risky when leasing land, due to long production cycle when establishing e.g. mango orchards.

MESPT realised the need to intervene on sector level to support removal of bottlenecks in the sector.

A vertically integrated agribusiness sector structure is a reply to more stringent requirements from the markets. The picture below represents a variety of vertical integration forms from spot market transactions to full vertical integration where the diagonal line represents the mix of invisible-hand and managed coordination characteristics found in each of the five alternative strategies for vertical coordination. Vertical integration is not so much defined by single ownership as it is defined by centralized control along certain parameters.

Figure 3. Export vegetable sector in the agribusiness sector structure continuum.

The export vegetables chains fall under the vertical integration part of the picture above. The programme interventions were flexible enough to solve sectoral issues as they rose, such as establishing the association of service providers and liaising with government to solve export related issues.

However, the programme could have achieved more or faster if the aforementioned dynamics would have been taken into consideration early on in the design phase of the component. For example, EU rejections in 2013 (due to exceeding the maximum residue levels (MRL)) had negative impact on sales and costs of SMEs engaged in exporting vegetables to the EU. MESPT negotiated group discounts for SMEs on in-country testing of produce to prevent further EU rejections, which resulted in **reduced costs for laboratory testing**. Originally, testing was done in the Netherlands for a much higher price.

In case of coconut, MESPT played a very important role in **setting up the sectoral organisation**. Thanks to MESPT, quality improvements have been implemented to successfully access export markets.

MESPT is engaged in opening up markets: MESPT, on behalf of exporting SMEs, engaged in formal lobbying and advocacy activities on government level for new trade agreements that would allow Kenyan mango and avocado to enter the Chinese market, which is currently not possible.

None of these intervention elements were part of the original programme design, as they became issues only during implementation. MESPT was flexible enough to act when need rose.

Value chain

The combination of mobilising farmers, linking them to SME's and providing repeated assistance (technical, financial) to both, proved to be an effective approach to VCD.

Each exporting SME is working with between 40 and 400 farmers thanks to the support of MESPT, and eager to get linkages to more farmers. To support farmers in complying GlobalGap, MESPT provided not only capacity building, but also pre-financing structures so that farmers could install needed structures on the farm: toilet, cold storage, grading shades, offices, fertilizers and pesticide storage, etc. The combination of technical and financial support helped farmers to make the next step towards in complying with certification requirements. Farmers do have to pay back the pre-financing received.

Co-sharing of financial burden in the initial phase helped SMEs and farmers overcome challenges, yet keep them sharp in terms of financial sustainability of the services required.

Interested SMEs could secure financial support from MESPT for GAP certification: For initial certification, 100% financing was offered by MESPT. In year two that changed to co-sharing: 75% MESPT – 25% company financing. In year three, co-sharing was 50% MESPT – 50% SMEs. Similarly, SMEs were supported to get Pack house certification (ISO 22 000) and Hazard Analysis and Critical Control Points (HACCP). In addition, SMEs could receive regressive financing for providing technical assistance to farmers.

Through the support of MESPT, SMEs managed to get energy consultants to look at their operations, and propose ways of improvement. SMEs followed up on those recommendations with support from MESPT (cost sharing). This has helped bring overall energy costs down while at the same time enabling SMEs to be more environmentally conscious in their operations.

One of the key success factors for export horticulture is the presence of cold chain. By installing cold storage with MESPT financing, SMEs could reduce waste and preserve the quality of produce.

MESPT was successful in supporting companies accessing third-party financing

Exporting SMEs need quite large working capital, which banks are generally not so eager to provide, unless there is land as collateral. MESPT stepped in, and provided guarantee for SMEs towards banks, so that companies could access the much needed loans and further expand their business.

Value chain service providers

MESPT was successful at establishing a commercially viable association of service providers that supports farmers in meeting quality requirements.

As result of inadequate extension officers from the government, MESPT established the Makueni Service Providers' association (about 200 members) to support farmers in complying with certification requirements as well as general extension services both technical and advisory. To prevent or handle issues with pests or diseases, farmers call on service providers to spray the produce, and pay for rendered services. So far, this kind of initiative is limited to one region and the service providers offer their services in mango, passion fruit and vegetable chains. They regularly visit farmers, identify agronomic issues, ensure that certified seed and authorized chemicals are used in production, and farmers

are paying for the rendered services. Service providers also offer extension services in NRM interventions (water & soil conservation, biogas digester construction, drip kits installation etc.).

Challenges during implementation

While acknowledging the success and strengths of the programme component and the tremendous effort of MESPT staff, the evaluation team would like to mention a few areas where the programme was less successful:

Strategy to select farmers is weak or non-existent: According to value chain analysis, farmers are selected based on potential for scale up and impact, volumes required by the processors, growth in demand and willingness of farmers to join the programme. There is no assessment of farmers by MESPT or its implementing partners beyond the mentioned dimensions at the beginning of the intervention. In fact, anybody can join. The intervention requires that farmers work in groups, and the groups have their own norms. Who cannot perform, drop out. About 20 % of farmers did drop out from the value chain programme; but that was also due to calamity issues. There is a continuous in- and out-flux of smallholders.

Technology transfer failed to succeed: MESPT was supposed to deliver technology transfer to smallholders, however the offered technology, which was in itself very good, was not affordable for farmers. Luckily, MESPT was flexible enough to cut the trajectory rather than continue with it.

Holistic farm management is not part of programme design. Farmers complained that the support is focusing on one crop, instead of supporting them in commercial farm development: “farming as a business”.

ESPT focuses on certain export products in certain regions. However, SMEs receiving support are either already operating in other regions with the same produce or producing other export vegetables than MESPT is supporting in regions of MESPT. According to the interviewed SMEs, there are many opportunities to expand their business, and it is a pity that MESPT is not capitalizing enough on those opportunities, but limiting itself to certain regions and certain export horticulture products. The limit, however, seems to be not MESPT but the decisions and conditions set out in the programme document.

Supporting SMEs in export horticulture to access new markets is limited. Beyond the trade fairs, business tours could be organized to e.g. Germany, Russia, Japan, China, Denmark, with pre-arranged meetings for SMEs to meet new clients. Also, expats in the different countries could be of help for SMEs. Trade mission to Kenya by e.g. European companies could further enhance impact.

Enhancing the capacities of SMEs in developing customer loyalty. While the programme interventions support SMEs in market access, it seems that the established relationships with buyers are not necessarily long-lived, and SMEs do not have the competencies to consciously act on it.

Developing market information system to support farmers and SMEs in finding new markets. Many of the interviewed SMEs mentioned that they do market research on their own, visiting different website and using personal contacts. Combining efforts could further support the development of the sector.

Capacity building for SMEs is limited. While SMEs were extremely happy with trainings on business plan writing, they very much missed trainings on managerial accounting, profitability analysis, scenario analysis and business strategy.

Using the value chain approach helped the programme to create more focus both in terms of produce as well as geographically. However, considering that there are many chains in a sub-sector such as horticulture (green beans, asparagus, mango, etc.) value chain thinking has its limitations. Thinking on sub-sector level, such as export horticulture, will result in identification of challenges that can be solved at sector level (dealing with EU rejections) and will improve overall sector performance. Similarly, using only the value chain approach will not result in supporting farmers “running their farms as business”. However, combining a value chain approach with sectoral approach and holistic farm development would likely result in bigger impact.

3 Achievements

3.1 Impacts

Employment

Based on the reviewed documents, the employment effect from the MESPT program has been significant. The total number of full time equivalent jobs created was 3,500¹. The additional jobs created can be broken down to 2,783 farmer jobs, 705 private service provider jobs and 12 jobs at SME levels respectively. Out of all of the people participating in the value chains, the proportion of women was 33.3%¹.

Table 4: Participation in value chains and additional full time employment (FTE) created

Name of Value Chain	Number of people involved in the value chain by gender**						Employment creation: Changes from the baseline**			
	Male		Female		Total		Baseline (at BSPSII start January 2012)	As at the end December 2013	Net Additional Jobs Jan-December 2014	
	Up to 2013	Jan - Dec 14	2013	Jan- Dec 14	Up to 2013	Jan- Dec 14				
1 Export Vegetables	1,103	917	500	501	1,603	1,418	2,905	4,727	3,500	
2 Dairy	19,023	4,786	773	3,368	19,796	8,154	18,994	25,887	3,553	
3 Fisheries	489	1,077	210	1,283	699	2,360	587	1,455	1,303	
4 Passion Fruit	406	2,463	2,023	1,189	2,429	3,652	59	3,009	2,131	
5 Mangoes	4,119	1,682	1,301	744	5,420	2,426	4,082	6,032	1,702	
6 Sweet Potatoes	685	2,463	219	1,190	904	3,653	123	526	128	
7 Coconut	821	544	117	177	938	721	31	617	642	
8 Cashew Nut	351	39	90	23	441	62	48	370	236	
9 Macadamia	2,276	2,914	481	301	2,757	3,215	919	2,370	2,889	
10 Poultry	372	40	713	173	1,085	213	8	587	684	
11 Sunflower	52	192	49	109	101	301	184	180	52	

1 The jobs were calculated using the formula provided by COWI consultants and required MESPT to define farmers as enterprises and also compute casual jobs as fulltime jobs if done for a number of hours. This proved to be a challenge because agriculture value chains do use a lot of casual labour during pick seasons, and MESPT had 14 value chains.

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Name of Value Chain	Number of people involved in the value chain by gender**						Employment creation: Changes from the baseline**		
	Male		Female		Total		Baseline (at BSPSII start January 2012)	As at the end December 2013	Net Additional Jobs Jan-December 2014
	Up to 2013	Jan - Dec 14	2013	Jan- Dec 14	Up to 2013	Jan- Dec 14			
12 Moringa	19	75	33	755	52	830	322	200	672
13 Paprika/Chilli	1,800	1951	4,200	4549	6,000	6500	3,560	3,764	945
14 Amaranth	345	451	247	387	592	838	393	592	195
Total	31,516	19,594	10,709	14,749	42,225	34,343	31,822	49,724	18,632

Source: MESPT annual report for Component 2, 2014; data could not be confirmed from other sources.

The dairy value chain created most new jobs totalling 3,553, followed by export vegetables, macadamia nuts and passion fruits at 3,500, 2,889 and 2,131 jobs respectively.

The dairy, chilli, sweet potatoes and macadamia value chains attracted the highest participation likely due to the many benefits that have been realised as a result of establishing farmers associations:

- Access to veterinary services in the dairy subsector.
- Establishing linkages between chilli, macadamia farmers and SMEs who are currently exporting the products.
- Value addition to sweet potatoes, which has attracted a lot of interest from the farmers.

These rapid creations can be attributed to new entrants who have been recruited into the 14 value chains.

Income

Support from MESPT has continued to trigger systemic changes (access to new markets; solving sector-wide challenges in market access, etc) which have led to improved income within the above-mentioned value chains.

The cumulative performances of the value chains to date are varied in terms of volumes produced and incomes generated. The dairy, export vegetables value chains, macadamia, mangoes, sweet potatoes, and passion fruits have created the highest volume and sales turnover.

The total sales realised within the value chain was KSH 174,441,649 from the 3,541 metric tons produced. This was approximately 80.6%% increase in the value from

the previously reported figures. The trainings (global gap training, good agricultural practices, integrated pest/crop management and soil and water conservation) contributed to enhanced capacity of the farmers resulting in the increase of production and quality. There is also a remarkable reduction in post-harvest loss from 40% to 10%. Due to the interventions of ICM/IPM, there has been increasing yields and reduced production costs. Prices have gone up from KSH 45 to KSH 50 per kg.²

Income from export vegetable production is a crucial source of income for the farming households that have benefitted from the support. Collectors of French beans (women), currently earn KSH 250 KSH/day for weeding. Before the programme started, they earned only KSH 150/day. For harvesting, now they receive KSH 7 per kg while previously they received only KSH 5 per kg.

3.2 Five capitals areas in export horticulture

Below is presented an assessment of the influence of the programme interventions on five outcome areas (“capital assets”) considered of key importance for smallholders and SME’s involved with VCD interventions³.

Change in human capital: *Both small-holders and SMEs, that have participated in capacity building activities, have found it important in relation to their operations*

The most appreciated trainings by producers of export vegetables were related to production techniques, group formation, quality of produce, handling of product. Interviewed farmers estimated that as result of training, there was a decrease of rejections from 25% to 5%. When asked what they would do if the buyer would refuse to buy products in the next season, farmers replied that it would not be a problem at all. Currently the demand for export vegetables is so big, that they could immediately find a buyer offering similar price for their produce.

Changes in physical capital: *Both farmers and SMEs increased their physical capital as result of MESPT support*

Farmers groups built structures on their premises to be able to comply with GlobalGap requirements. They are about to finish paying the loan back. On household level, farmers can afford to buy equipment for transportation, build larger houses, build houses made of stone, and rent even more land for farming. With the support of MESPT, SMEs could build cold storage, extend their regular storage and upgrade their pack houses.

Changes in financial capital: *The programme have had positive impact on the financial capital of banks as well as smallholders*

The establishment of the loan guarantee fund proved to be rather difficult, but SMEs now have access to this facility and take advantage of it. Apparently, their challenge lies in having sufficient working capital, and with the guarantee fund, they can get access to

2 Source: MESPT annual report for Component 2, 2014.

3 See the “5Capitals Approach” developed by CATIE.

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bank loans. Many of the interviewed SMEs emphasized that they find this support a lot more helpful than receiving grants, as they have to run financially viable operations.

Interviewed farmers agreed that they are more ready to borrow than before. The reason for that is twofold: i) Village savings banks have been established by MESPT, which is in fact, a safe where members of a farmer group place the money they would like to save. Others can borrow from this pot of money. As group members trust each other, the borrowing has become a normal way of doing business and running households; ii) Production of vegetables for export provides farmers enough buffer in terms of income to invest in upgrading their business, send kids to school, etc. The role of the village saving bank is to ensure liquidity when cash is needed.

Social and natural capitals are discussed in sections below.

4 Engagement of the Public Sector

According to MESPT, working with local government office is part of the success

The farmer FGDs revealed that farmers first seek advice from each other, or from friends and relatives with an agricultural background. Also, they hire service providers to ensure that they comply with requirements of the implemented certification program.

However, MESPT involves local government offices whenever it is possible such as providing extension service, mobilizing farmers, collecting data etc. Local government officers are eager to collaborate with MESPT, as they themselves do not have enormous budget to implement a lot of activities, but can provide support to MESPT from the small budget they have. As MESPT is considered a successful programme, that image gets mirrored to the local government as well.

Working with county governments proved not to be efficient; as they might want to focus on value chains that are not commercially viable and might support other chains than MESPT. In addition, they do budgeting once a year. That means that if MESPT misses that window to ask for support, the answer is: “it is not in our budget”. There is no flexibility.

5 Cost Issues

The current financial system of MESPT does not allow for benchmarking value chains against each other in terms of efficiency.

During the implementation of Component 2, several value chains have been supported; some phased out as the interventions did not seem to be enough to uplift the chain (e.g. poultry, cashew, sunflower); others phased out as they were so successful that they could continue on their own (e.g. moringa). However, according to MESPT staff, there is no way to identify how much money has been invested into developing the different chains, hence there is no data available to calculate any efficiency parameters at value chain level.

6 Green Growth and Gender

Green Growth: *An impressive number of activities have been implemented over the last years through the NRM program targeting both farmers and SMEs.*

From the programme documents, it appears that there was close collaboration between the NRM (Output 4) and the ABD (Output 3 in BSPS I). Many producers of export vegetables have been provided with a solar driven pump for irrigation and they can now harvest four times a year instead of twice. Also, some milk producers have got support to establish biogas systems which reduce the costs for fuel. In BSPS II, NRM became Output 4 within Component 2 offering more opportunities for synergy.

Complying with GlobalGap prevented negative impact on the environment by farmers using only chemicals that are legally allowed by the different certifications or production systems, and using them in the right manner. Not only the environment is not polluted, but their health is not adversely affected either. Environmental pollution is also prevented by collective removal of packing material of chemicals. They are collected by the exporting SMEs.

Interviewed farmers also learnt to use water more efficiently. There is much less waste by using drip irrigation. Less water used resulted in reduction of energy expenses.

Interviewed companies are engaged in energy management. With support of MESPT, they received energy audit for their pack houses: processes, lighting, cold room, etc. The outcome of the audit was a list of recommendations on how SME can save money, while not having a negative impact on the operations. SMEs were eager to implement the recommendations (change bulbs, find better tariffs, adjust size of cold room, etc.) as this resulted also in lowering their expenses.

Gender: *There is substantial change in the position of interviewed women:* Women have managed to improve their diet and that of the family and they never go hungry. They dress better than before. Some of the women mentioned that they invested some of their income in buying goats, sheep or cows. They considered this a very good opportunity to spread risks across different produce. Women also feel more empowered as they can run their own farm, harvest their own produce, sell harvest themselves, and keep the money, thus having more gender equality, as previously only men could engage in those activities.

7 Risk Mitigation

The BSPS II programme documents highlighted eight potential risks. Out of these eight risks, the following five were applicable to Component 2:

7. Strong Government commitment to improve the business environment will not continue – despite some negative interference from Government (export ban on cashew, levies on certain crops when crossing counties, introduction of new law on taxing farmers who have more than one acre coconut), there is ongoing support to improve the business environment.
8. Failure to bring the MESPT governance and organizational structure in place – this issue seemed to be solved by the end of the component (2015 fall).
9. Failure to secure an effective integration of ABD and NRM into MESTP.
10. The devolution process initiated under the new constitution will negatively affect the business environment and the implementation of BSPS II – this was not mentioned as an issue during the country visit.
11. Pre- and post-election conflicts will negatively affect the business environment and the implementation of BSPS II – this is always an issue right before and after election but was not mentioned as a particular negative impact during the country visit.

In addition to the above risks, the following became clear only during programme implementation;

Poor take up of technology by farmers: technology transfer proved to be a challenge. A lot of funds have been earmarked for this intervention in the Component 2 budget. But the new technology proved to be too expensive for the target beneficiaries. Absorption capacity of farmers to adopt technology and new thinking was very low. This trajectory of work has been stopped.

Negative reaction of farmers to increased income: in case of some farmers, increased income led to negative group dynamics and more individualism when it came to decision making. Support to groups eased somewhat the situation.

8 Key Evaluation Findings and Lessons Learned

Implementation of Component 2 has been successful in the following areas:

- *The impact of programme interventions in terms of production levels and income in the targeted regions has been significant. In particular, the productions of export vegetables, macadamia, dairy and sweet potato have been boosted during the period. The production increases are expected to continue as demand is also increasing⁴.*
- *Production increases in the different sectors have generated significant employment, both men and women benefitting from it⁵.*
- *More environmental-friendly production techniques (e.g. in relation to use of fertilizers and chemicals) have been adopted by the large majority of the supported farmers in the region of export horticulture.*
- *Improved relationships and trust between processors/producers in supported regions and governmental institutions contributed to enhancement overall sector performance (export horticulture).*
- *Improved bargaining power of the small farmers (getting better prices and deals and more security for markets for their products). Within one year from establishment, interviewed farmer groups exhibited high level of entrepreneurial thinking, including readiness to negotiate better prices and finding new markets for their products (export horticulture).*

Component 2 interventions have been less successful within the following areas:

- *Strategic linking of larger producers and processors to export markets. The increased export of vegetables has happened through individuals taken opportunities from participation in trade fairs in Europe, not because of a strategic approach to developing export markets.*
- *Enhancing capacities of farmers to run their farm as a business. Holistic farm management is not part of programme implementation. Interviewed farmers complained that the programme is focusing on one crop, instead of supporting them in commercial farm development: “farming as a business”.*
- *Supporting SMEs in export horticulture strategically in accessing new markets.*
- *Strategy to select farmers is weak or non-existent.*

4 MESPT Annual Reports, 2013, 2014.

5 MESPT Annual Reports, 2013, 2014.

Lessons learned

- *The combination of support (even repeated) to SMEs was key to success to make them become more professional in running their business:*
- *Offering a comprehensive approach (combination of different but complementary interventions) for the different actors in the export vegetable chain enhances sector performance.*
- *Contrary to many other donors, support from MESPT to beneficiaries in export horticulture is based on co-sharing and regressive financial support, which helps actors become more entrepreneurial and more competitive. Financial modalities provided (co-share, matching fund, grant, soft loan, etc.) have great impact on the sustainability of the business.*
- *Influencing government (lobbying and advocacy) proved to be a powerful strategy to remove bottlenecks in the export vegetable sector.*

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