

End of project evaluation

Fresh Produce Exporters'
Association of Kenya

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Fresh Produce Exporters Association of Kenya

1. Introduction

This report reviews and evaluates the advocacy project undertaken by Fresh Produce Exporters' Association of Kenya (FPEAK) to influence the wording of the Economic Partnership Agreement (EPA) being negotiated with the European Union (EU). The objective was to lobby the key stakeholders involved in the negotiations to preserve Kenya's EU market access for horticultural produce.

2. Background

2.1 Fresh Produce Exporters' Association of Kenya

The horticultural sub sector commenced operations in the early 1970s and has been consistently the fastest growing industry within the agricultural sector in Kenya, recording average annual growth of 15-20 per cent. It contributes positively to wealth creation, poverty alleviation and gender equity especially in the rural areas. It employs approximately 1.5m people countrywide directly in production (including 150,000 farmers), processing and marketing and supports a further 3m people indirectly. The total direct and indirect employment from the horticultural sector is a good indicator of its importance to Kenya, particularly when dependence ratios (varying from 7 to 10 per employee) are taken into account to estimate the total number of people in Kenya dependent directly and indirectly on horticulture.

The horticultural sector is very important to Kenya's economy, accounting for 67 per cent of Kenya's trade with the EU. This represents 90 per cent of Kenya's horticultural produce income earned by Kenya amounting to KSh93 billion in 2008. At the then prevailing exchange rate, this translates to approximately £720 million.

FPEAK was established in 1976, dedicated to the welfare and enhancement of members' business activities, through lobbying, information and marketing support, and promotion of members' compliance to international standards. It has 130 active members. Its activities are financed through members' annual subscriptions. It has, in the past, received substantial grant income principally from USAID, DfID, DANIDA and the EU to support the development of its operational base and its technical capabilities.

FPEAK's vision is to make Kenyan horticulture the global choice. Its mission is to develop, unite and promote the Kenyan horticultural industry in the global market with due regard to safety, good agricultural practices, social, ethical and environmental responsibilities.

FPEAK supports growers and exporters by providing technical and marketing information and training; acting as an information centre; promoting Kenyan products at international markets; and running active lobbying and advocacy programmes to enhance the sectors competitiveness both nationally and internationally.

2.2 The issue

The EU is the principal importer of Kenya fresh produce. The Netherlands imports the bulk of flowers for sale through the auction system. Britain, Germany, Netherlands and France are major importers of fruits and vegetables. The Middle East market is also an important outlet market for Kenyan fruits.

Starting in 1973, the EU has allowed African, Caribbean and Pacific (ACP) countries one way tariff, duty and quota free access to EU markets under the Lome Convention. This meant that ACP producers were able to export to the EU, but remained protected from European competition.

Under (more recent) WTO rules however, and the expiry of the Cotonou Partnership Agreement, (a derivative of Lome), developed countries may now give this kind of one way access to two groups only: all developing countries or to the very poorest group, known as "Least Developed Countries" (LDCs). Several developing countries outside the ACP challenged the EU to comply with this rule – principally from South America. The EU and the ACP were given until the end of 2007 by WTO to implement new arrangements that will fit WTO rules. The instruments of compliance with the WTO rules are known as Economic Partnership Agreements (EPAs). Economic Partnership Agreements will be the new regional trade agreements between the EU and some 77 ACP countries. EPAs are designed to be reciprocal agreements aimed at contributing to sustainable development and the reduction of poverty in the ACP regions.

2.3 The project

The principal objective FPEAK wished to achieve was the maintenance of tariff, duty and quota free access for its horticulture exports to the EU. However, Kenya had to negotiate as one member country in a regional grouping of 17 East & Southern African (ESA) countries. The position was complicated further by two countries being classified as LDCs, and by some countries being members of COMESA, some (including Tanzania) also being members of SADC and others (again, including Tanzania) being members of the East African Community (EAC). Each of these factors had associated constraints and FPEAK undertook, with support in excess of KShs. 8 million from the Business Advocacy Fund, a campaign to assemble a common, united position on horticulture on behalf of the 17 ESA countries. FPEAK was well positioned to do this as a well developed and capable Business Membership Organisation (BMO) representing the country with the most developed horticulture industry in the region.

Specifically FPEAK planned:

Under Step 3 of 5SAA: To contract a trade consultant to work with their staff to develop a draft position paper; then to hold an industry stakeholder forum involving BMOs from the other 16 countries (where present) to establish support and consensus and finalise the position paper; and then to present the results to both the ESA and EU negotiating teams.

Under Step 4 of 5SAA: FPEAK planned to lobby the key stakeholders including:

- GoK (Ministry of Agriculture + Ministry of Trade and Industry)
- ESA negotiating team
- EU negotiating team
- UK and Netherlands Governments (Ministries of Trade and Agriculture)
- UK & Netherlands importers and retailers
- EAC

The objective was to ensure that the common interests between Kenya and the EU, and between Kenya and the 16 other ESA countries, were represented in the trade negotiations to preserve the preferred market access by Kenya's horticulture sector on the grounds of significant common economic interest.

Under Step 5 of 5SAA: FPEAK planned to participate in and monitor the progress of negotiations between the EU and the 17 ESA countries, to ensure

the subsequent implementation of the outcome of these negotiations, assuming Kenya's horticulture sector arguments were successful.

Fall-back positions were also to be developed to cover the event that Kenya may have had to lobby the EU separately for specific market access for Kenya horticulture. It also considered the route of a bilateral agreement on specific commodities such as horticulture and lobbying for an extension of the Cotonou Partnership Agreement in the interim period before the conclusion of the Doha round of WTO negotiations.

3. Evaluation methodology

Interviews for the end of project evaluation were undertaken in February and March by Pauline Mwangi. Qualitative data was collected through a standardised key informant interview questionnaire. Respondents interviewed during the evaluation were the BAF Fund Manager and FPEAK Chief Executive Officer, Dr. Stephen Mbithi. Further data was collected through a desk review of the project's concept note, application form, quarterly reports and advocacy competence diagnostic assessments.

Pauline Mwangi was unable to complete this evaluation, so it was completed by Clive Davis and Ruth Gathee, based on the initial draft together with the results of additional interviews.

4. FPEAK's approach

4.1 Capacity building

Two members of staff participated in the Advocacy awareness programme, one member of staff participated in the Advocacy Competence programme and another participated in the Institutional competence programme.

BAF received feedback from one staff member who attended the training programme. The most useful thing he learnt from the course was how to carry out effective advocacy while dealing with Government departments, influencing brokers and evaluating outcomes from lobbying.

There were no barriers in applying what he learnt. His view on advocacy has been changed and he has increased partnerships with other BMOs. The course material was shared with the other members of FPEAK staff.

4.2 Risks and challenges

The project was implemented by all of FPEAK's seven staff. They identified some risks and assumptions that were extraneous to the project. The major concern arose from Kenya and Uganda negotiating as part of the EAC whilst Tanzania, despite being a member of the EAC, chose initially to be part of the SADC negotiations. This could have disrupted the negotiations. FPEAK addressed this possible problem by convening meetings with the business community in partner countries to lobby the Tanzanian Authorities to negotiate an exemption from SADC rules in as far as they relate to horticulture into the Interim Agreement.

4.3 Relationships

During the course of this project, FPEAK interacted with and improved their relationships with:

- Ministry of Trade, Government of Kenya
- East Africa Community partner state Ministers of Trade
- Central Agricultural Board, Kenya
- Board of Horticultural Crops Development Authority, Kenya

- Member, National Task Force on Horticulture, Kenya
- Member Europe-Gap
- Member, Kenya Association of Manufacturers
- Board member Liaison committee for Europe, Africa, Caribbean and Pacific (CLOEACP).
- Regional horticulture BMOs

To confirm the quality of some of these relationships, Mr Hezekiah Okeyo, Senior Assistant Director of Industries and Mr Eric Ronge, Director of External Trade at the Ministry of Trade were interviewed.

It was established with the MoTI Directors that FPEAK have good relationships with the Ministry and used them to support the Ministry's engagement with the EU Commission to sign the Interim Agreement. They considered FPEAK to be a credible advocate, to be well informed, and to have prepared an excellent case. They said that FPEAK represented their members, especially the small scale farmers, effectively and its advocacy certainly made a difference to the outcome. They suggested that the Government would probably not have reached the same position without FPEAK's contribution as Government relies heavily on input from all relevant stakeholders and that FPEAK's intervention was critical.

FPEAK was instrumental in bringing together other ESA country horticultural BMOs. This was done by convening a two day seminar in Nairobi attended by eight BMOs from the region to which the BAF Fund Manager made a presentation on advocacy. During the seminar he was able to canvas feedback from these BMOs on the process organised by FPEAK and the outputs. The country BMOs confirmed that such a gathering of horticultural BMOs had not taken place before and would not have without the FPEAK/BAF support. The seminar forged new relationships among themselves and arrived at a common position so that each could lobby their respective country agriculture ministries.

Just prior to the EPA being signed Kenya Human Rights Commission (KHRC) together with other NGOs applied to court to obtain an injunction against the Minister signing the EPA on behalf of Kenya on grounds that it would lead to unfair competition in Kenya from European imports. KHRC believe that the citizenry will lose as a result of dumping by EU. The Kenya Association of Manufacturers (KAM) and FPEAK were enjoined as friends of Government. FPEAK and KAM were of the view that, should the application of the NGOs succeed, Kenya's trading regime with Europe would be disrupted. As the organizations representing businesses whose exports would be most affected, they agreed to go to court jointly (as friends of the Government) and agreed to share the legal costs. The matter is still in court, but both have withdrawn after the Interim EPA was signed in December 2008.

The evaluator was able to confirm with KAM that it works closely with FPEAK, that it considered FPEAK to be a professional organization with whom it can collaborate on common issues (e.g. launch of the Prime Minister's Round Table forum). KAM also confirmed that FPEAK is a member of KAM, and that the two are joint promoters (with other BMOs) of Kenya Shippers' Council. The relationship seems to be one of mutual support, respect and collaboration.

5. Results

5.1 The outcome

In the event, FPEAK was successful in influencing the negotiations that ensured the continuance of free access of Kenya's horticulture exports to the EU. Although the lobbying plan was not executed as planned, it was varied

sufficiently, and within the budget it had secured from the Business Advocacy Fund, to positively influence all parties towards FPEAK's its arguments.

The precise outcome was that an Interim Agreement (which will become part of the main EPA) was signed in late 2007 (i.e. within the deadline set) by the EU, the East African Community (EAC), the remaining ESA members on the African continent (as a bloc) and those other ESA countries that are off-shore from the African continent (again as a bloc).

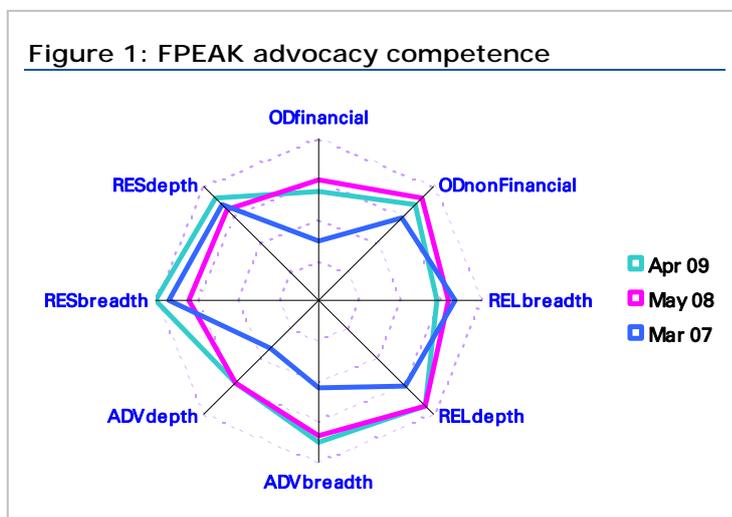
The key element affecting Kenya was signing under the auspices of the East African Community (EAC) as international agreements signed members of the EAC by one country must be applicable to all EAC members under the EAC Agreement. One key provision covered the Tanzanian problem – that for the purposes of the Interim, and main, EPA, Tanzania was exempted from the provisions of its membership of SADC (as the other four members of EAC are members of COMESA).

In short, FPEAK achieved the objective it had set and horticulture trade flows from Kenya to the EU were not interrupted.

The advocacy project received media coverage on television and print media both locally and internationally. From the literature review of newspaper clips on file, the BMO issued 8 newspaper releases locally. FPEAK received over 13 articles in the print media, 10 radio broadcast on news and horticultural/ agricultural programmes, 7 television broadcasts covering the EPA issue.

As a footnote, at the time of writing, the EPA is still not signed – the main sticking point being the introduction to the negotiations of a Most Favoured Nation (MFN) clause. Consequently, the negotiations continue.

5.2 Competence



In March 2007, when FPEAK's advocacy competence was first assessed, they had a curiously shaped profile, with a good breadth of relationships. Their advocacy breadth and depth appeared low, yet the breadth and depth of their results appeared high – perhaps suggesting that they were achieving results despite using a narrow range of advocacy tools and techniques. They were also weak in their financial control. By May 2008, they were showing a much more rounded competence profile, scoring well on all indicators. This stronger profile is reflected in the April 2009

assessment, with particularly high scores for results, reflecting their perceptions of their performance in this project.

A review of the answers to the diagnostic assessment suggests that FPEAK:

- Has a good range of contacts in key Ministries and has regular face to face meetings;
- Has increased its membership base, has encouraged more to pay their subscriptions and encourage more to re-subscribe;
- Has become aware of, and has used, many more advocacy techniques during the last two years;
- Is getting better at research and is embedding capacity for advocacy more effectively in the organisation.

6. Economic impact assessment

The risk to this project was that Kenya's free market access to the EU horticulture market would disappear. Had they not succeeded, then Kenya may have had to negotiate individually with the EU under the General System of Preferences (GSP). The economic impact from this advocacy project can therefore be assessed by estimating the benefits (by considering some possible associated costs) accruing from avoidance of the non-free market access.

According to FPEAK (Dr. Mbithi) the average tariff applied under GSP is 8 per cent. On that basis, the imposition of a 8% tariff on the KShs. 73 billion value of Kenyan horticulture exports (equivalent to KShs. 5.84 billion) would necessitate a major restructuring of the Kenyan horticulture industry, including probable job losses, for it to remain competitive. More likely, whole enterprises would probably move from Kenya to 'least developed countries' (e.g. Sudan, Ethiopia) to avail free market access. In either event, the negative impact on Kenyan horticulture is not possible to estimate. However, using the tariff avoided as a crude proxy for the possible negative impact – KShs. 5.84 billion – the return on the BAF investment of KShs. 8 million is a large number: a return of 730 times.

This calculation does not cover the social dislocation costs of the probable unemployment. Nor does it cover the alternative investment that would be required to replace the employment and foreign exchange earnings lost (with a likely impact on the value of the Kenya Shilling exchange rate in the interim).

However, since the signing of the interim EPA merely perpetuated the existing arrangements, there has been no negative direct impact on the sector.

On this basis, the advocacy project can be deemed a successful outcome for Kenya's horticulture industry and a successful support initiative by the BAF.

7. Lessons

On the basis of the outcome achieved (the successful achievement of FPEAK's advocacy project objective), and the avoidance of the negative impact (as calculated above) the project was highly successful. FPEAK was the lead BMO advocating continued market access of horticultural products to the EU market. They lobbied continuously until the interim EPA was signed.

The key lessons learned from the project are:

- The input of the private sector (Kenyan, other ESA BMOs, and players in the EU – buyers and retailers), and their involvement seems to have been crucial to the outcome. The question is would the Government of Kenya have been as committed to the negotiations? Or as skilled?
- FPEAK formed alliances and coalitions with BMOs and governments elsewhere in the ESA region that were critical to the outcome
- FPEAK engaged, informed and involved high-level officials on both sides of the negotiating table (including the Minister of Trade for Kenya; EU Commissioners; EAC trade ministers; buyers and retailers in the EU etc.) thereby demonstrating that engagement and dialogue supported by evidence created a solid basis for a higher probability of success for the advocacy intervention
- Previously, FPEAK had been involved in local advocacy projects. Through this project, FPEAK has gained experience in advocacy at an international level. This has helped it to develop its competence considerably to apply to the Kenyan situation.

8. Conclusion

The BAF fund was instrumental in providing the means to FPEAK to achieve a successful outcome. The absolute cost seems high on initial assessment. When a (crude) calculation is made on the return on BAF's investment however, the costs associated with this advocacy project appear to be both negligible and entirely justifiable based on the calculated return on investment by both FPEAK (time and effort) and BAF (financially).

One issue remains: in the event that FPEAK would not have been able to access financial support, would it have been as successful? It is likely that it would not have been able to raise the necessary resources internally and would in that event, have had to rely on government support. Would that have been forthcoming? Alternatively, and thinking ahead, FPEAK, and other BMOs like it, should be rethinking their resource bases so that they have access to a continuing, annual advocacy budgets to cope with such threatening eventualities. Indeed this analysis applies to necessary engagements with the government on Kenyan economic issues.

9. Recommendations

In view of the above findings, it is important that:

- FPEAK should be considered positively for the further advocacy project support from the Business Advocacy Fund
- The experience and lessons from this project should be shared with other BMOs in the Business Advocacy Fund portfolio as a part of a lesson learning / experience sharing seminar