

Study on the Establishment of a Centre of Excellence in Kenya

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Prepared by Green Works Consultancy

EXECUTIVE SUMMARY

Kenya is the forerunner in East Africa in terms of horticultural production and export, and historically The Netherlands has always been an important trade partner. To maintain and further develop this leading position in a sustainable way, continuous improvement and innovation is needed. The central question that lies at the basis of this study, is how the Dutch horticulture sector could further support and contribute in the development of the horticultural sector in Kenya.

The Dutch government, through the Agricultural office of the Netherlands Embassy in Nairobi, has been supporting many sector development related initiatives during the past decade. The establishment of a well-functioning Centre of Excellence, designed for the Kenyan context, could be instrumental in further supporting local sector development and could increase Dutch involvement and attract more foreign investors.

The main purpose of the study was to identify if there is enough common ground to start the process of setting up an HCoE in Kenya. The first objective of this study was to investigate the interest in the Dutch and Kenyan horticulture sector to further develop cooperation, and the potential to realize this through the establishment of an HCoE. The second objective was aimed at reviewing examples of centres of excellence in developing economies with Dutch involvement and research the views of the sector to come to an advice for the best suitable, financially sustainable business model(s) for an HCoE in Kenya.

In The Netherlands the study focused on collecting information on the interest of the Dutch sector in doing business in Kenya and their experiences and views on participating in an HCoE. The 'lessons learned' on cooperating in Centres of Excellence were extracted from a selection of HCoE's with Dutch involvement in developing horticulture sectors, including Kenya, Guatemala and Mexico. Based on this information, an advice for a suitable business model for an HCoE was described.

In Kenya, the study focused on defining the local needs, interest and requirements, and the financial dynamics for the establishment of the HCoE, to determine appropriate local conditions for the development of an HCoE. A survey of the industry was carried out, in which over 30 stakeholders were interviewed, including growers and grower groups, suppliers, educational establishments, government agencies and interested media parties.

Most of the Dutch companies and organisations that were interviewed for the HCoE review were positive about cooperating with various Dutch sector parties in supporting local sector development and exploring horticulture markets. The reviewed HCoE's often formed an important tool for them to start up and expand activities in a developing country.

The overall main parameters for success that were mentioned were related to:

- Starting off with realistic goals and expectations within a given timeframe when it comes to realisation of commercial results for the participating Dutch companies

Colophon

This executive summary is taken from the full report "Study on the Establishment of a Centre of Excellence in Kenya" that was executed for the Agricultural office of the Netherlands Embassy in Nairobi, Kenya and the Netherlands Enterprise Agency during 2017.



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- Working with the right local partner is one of the most important factors, therefore, a sufficient amount of time and effort should be reserved for the selection of a suitable local partner
- Development of an HCoE should be based on a 'business case', this works well when it is a business case that matches both the Dutch and local request for business and sector development

From the HCoE review it became clear that the development of an HCoE requires a long time path, often of a period of 4 up to 7 years. This is the estimated period for an HCoE to reach its break-even point in the case of donor-funded initiatives with a local partner that already had an existing business. Starting off from scratch, without donor funding to realize the basic necessities in hardware, the set-up of an organization and developing a training program seems hardly possibly for developing countries. The observed income generating activities for HCoE's include training programs (including train-the-trainer), consultancy, contract research, demonstration of technologies, local distributor and/or consolidator, sales of production, agribusiness incubator services, funding of start-ups and recruitment services. Sales of fresh produce appeared to be the largest income generator for the centres that shared more detailed financial information.

All interviewed Dutch companies and knowledge institutes expressed their interest in further expansion of their activities in Kenya and reacted positive to participate in joint activities such as an HCoE. Interviewees were usually not very interested in general business support activities, but preferred cooperation in an HCoE for technology demonstration, training and networking activities. Sometimes with a specific focus on a subsector (flowers or vegetables) or theme within the sector (*e.g.* post-harvest handling, ICT solutions, production technology). The majority of the interviewees are expected to link up to an HCoE initiative in

case the option arises and the initiative falls within their line of business.

Based on all the interviews an effort has been made to categorize the Dutch sector interests into a selected number of themes that have potential for follow up:

- Sustainable flower value chain
- Sustainable production technologies
- Test lab for new technologies (SME)
- Knowledge and information platform
- Laboratory services/platform (MRL)

The survey of the Kenyan industry showed that there was a huge amount of technical innovation and training already available to the growers and producers. The survey only revealed the "tip of the iceberg" of what is currently going on within the industry. Technology is not confined to inputs from The Netherlands and this fact was commented on throughout the survey. The view of the interviewees was that if the HCoE would be purely Dutch sponsored it would limit the technical growth of Kenya and would also limit the centre being able to run profitably.



Figure 1 Technical training on protected horticulture at Latia Resource Centre, Kenya

Based on the information collected in this study several topics could however be identified where Kenyan horticulture sector development needs and the interest of the Dutch sector can meet. These topics could be addressed through the actual development of a new HCoE, through support of already existing local organizations



that are or can become an HCoE, or by individual projects targeting a specific topic.

A selection of recommendations was prepared as directions for follow-up activities that seem most beneficial for both the Kenyan and Dutch sector, and were supported by several of the interviewed organization. These include the following topics:

1. Training of workforce
2. Technical information for the industry
3. Demonstration and testing of technology

The very strong need of the Kenyan sector for trained graduates, trained managers, and experienced qualified trainers on technical knowledge and skills and - in combination with that - "man management, business management and leadership skills" could well be linked to (HCoE) initiatives that already have the support of The Netherlands. This mainly involves the Kenyan organisations that are involved in capacity building initiatives funded through the Dutch NICHE programme, including amongst others Latia Resource Centre, Baraka Agricultural College and Egerton University.

Secondly, the development of a website or platform to collate every initiative and technical advancement that has a relation to the Dutch horticulture sector in one site (online or Virtual HCoE) could be interesting. Important is to first develop the full 'business case' for the online environment.

From the perspective of how the Dutch sector can create the most added value, the approach of the platform could best involve strong points of the Dutch sector such as environmental sustainability, value chain improvements, greenhouse technology and laboratory services, and possibly trade.

From the survey it became clear that the Kenyan sector strongly feels that any HCoE where new technologies are being demonstrated and tested should be international, which means that technical suppliers from countries other than The

Netherlands should be included. Also suppliers should best have a small role or limited decisive power in the centre. In this set-up the willingness of Dutch suppliers to invest in development of a new HCoE will most probably be limited. However, some Dutch suppliers already work with Kenyan agents that also represent other nationalities. An international set-up should therefore not be ruled out, it will be depending on the conditions for private sector cooperation whether this format for an HCoE will work out.

During the industry survey a few suitable production companies were found that expressed their interest in hosting an HCoE. These companies have the necessary facilities (land and buildings) to assist in the development of an HCoE.

Additional suggestions for demonstration and testing of technology are the development of a test lab for innovative agricultural technology to make it ready for local marketing. The outcome should be a private company that can cost-effectively assess the potential for Dutch, international and national companies of an introduction of their products in the Kenyan market.

More trials and demonstration projects involving new technology in combination with training could be set up, especially to support the vegetable sector. Such projects should best look into crop protection (MRL issues) and/or post-harvest handling. Technology demonstration activities could also be expanded through projects that give a follow-up on recently finished Dutch projects in order to realize a higher impact in the country.

