

6.3.2 Selection of Leading Industries

The ideal situation would be that all of the foregoing new core industries be developed equally and concurrently. A more practical policy is needed in view of the realities in Kenya. The Team considered that there is a fair chance for existing industries with the basic technology to further develop.

In many other countries, specific industries have been intensively developed to lead export promotion. Leading industries*) in Kenya should be selected from the foregoing new core industries in order to accelerate export promotion. According to the statistical data obtained in Kenya, metallurgical and metalworking are not classified separately, therefore these are regarded as one industry. Thus the five new core industries are evaluated according to the following criteria.

Criteria for selection of leading industries

- 1) Number of firms
 - 2) Number of employees
 - 3) Output
 - 4) Imports
 - 5) Exports
 - 6) Technical level of production
 - 7) Market outlook (domestic and foreign markets)
 - 8) Expectation for development by Kenya's industries
- (1) Consideration of the Number of Firms and Employees, and Output Trends

The Team used the "STATISTICAL ABSTRACTS 1990" to compare the number of firms, the number of employees, and the output from 1984 to 1988 to analyse the present scales and trends. The results of the analysis are as follows:

- 1) The output of the nominated industries was calculated to be about 75% of total manufacturing output in 1988.
- 2) The number of firms, the number of employees and the output increased. The rate of increase is remarkable for the textile and garment and metallurgical and metalworking industries.

*) The leading industries represent specific sectors of the new core industries.

- 3) The agro-based and marine processing industry continues to be the top ranked industry in terms of number of firms, employees and output.
- 4) The output per firm and per employee in the chemical industry is more than other industries. The chemical industry is the most capital-intensive industry. Conversely, the textile and garment industry is the most labour-intensive and has the most firms among the five new core industries.

For details, refer to Figs. 6.3.2 through 6.3.5.

(2) Consideration of Import and Export Trends

Trends of import and export by industry are summarized below. Figures are calculated according to constant 1984 prices. (For details, refer to Table 6.3.1.) The annual real rate of increase in total imports is about 8%, while the annual real rate of increase in total exports is as low as 1%.

- 1) Chemical and metal products are the items imported in the largest amounts, and whose increase rates are also high. It appears that these industries have not been well developed as import substitution industries.
- 2) The agro-based and marine processing industry is the largest export industry.
- 3) There are few exports of electric and electronic products.
- 4) Metal, textile and garment products are those exported in less quantities, but the rate of increase is the largest.

Table 6.3.1 Exports and Imports of Products Related to New Core Industries (1984-88)

Product	Imports		Exports	
	Share in Total Imports (1988)	Annual rate of Increase (1984-88)	Share in Total Exports (1988)	Annual rate of Increase (1984-88)
· Metal	6.8%	13%	0.5%	34%
· Agro-based	1.8%	7%	11.7%	8%
· Textile	0.5%	0%	1.0%	33%
· Chemical	17.9%	19%	6.2%	3%
· Electric	2.4%	15%	0%	0%
Total	—	8%	—	1%

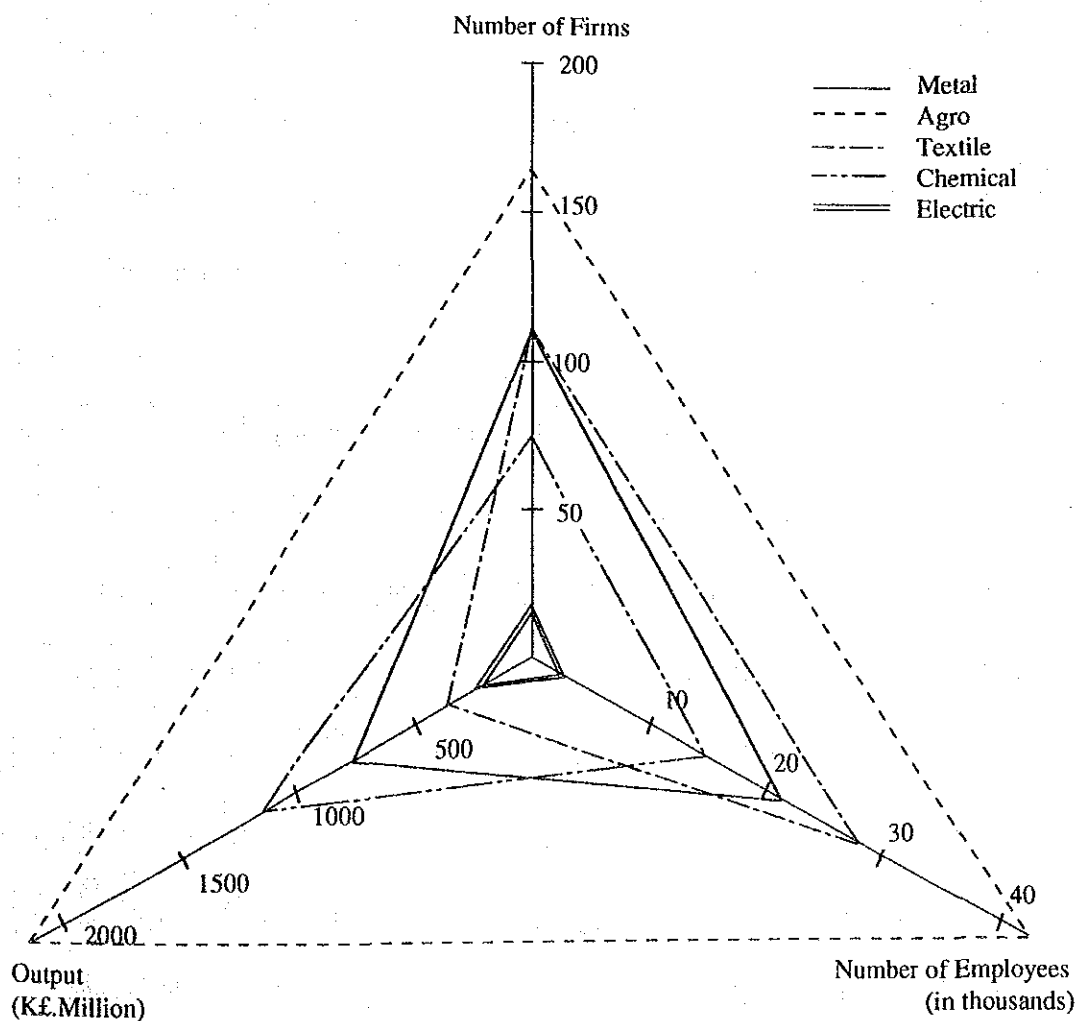


Fig. 6.3.2 Comparison of the Number of Firms, Employees and the Output by Industry (1988)

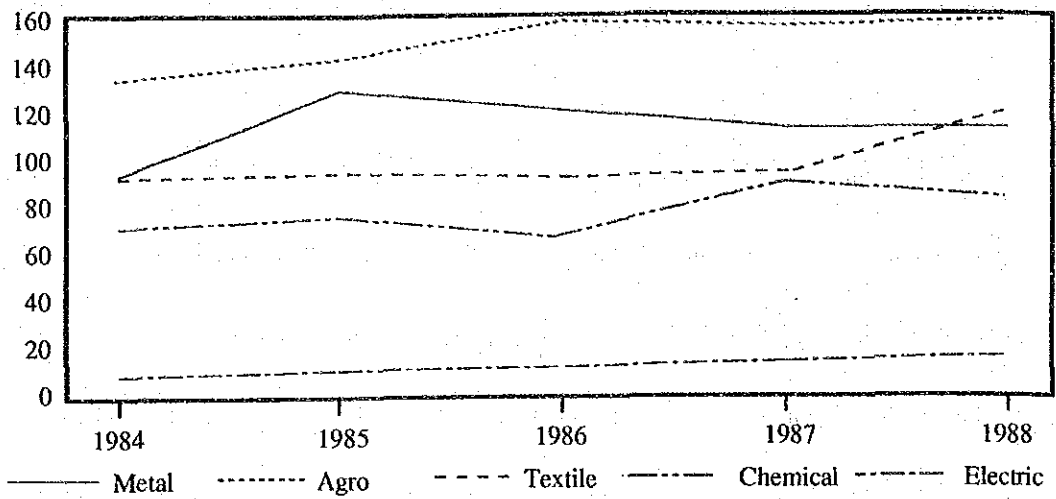


Fig. 6.3.3 Trend in Number of Firms

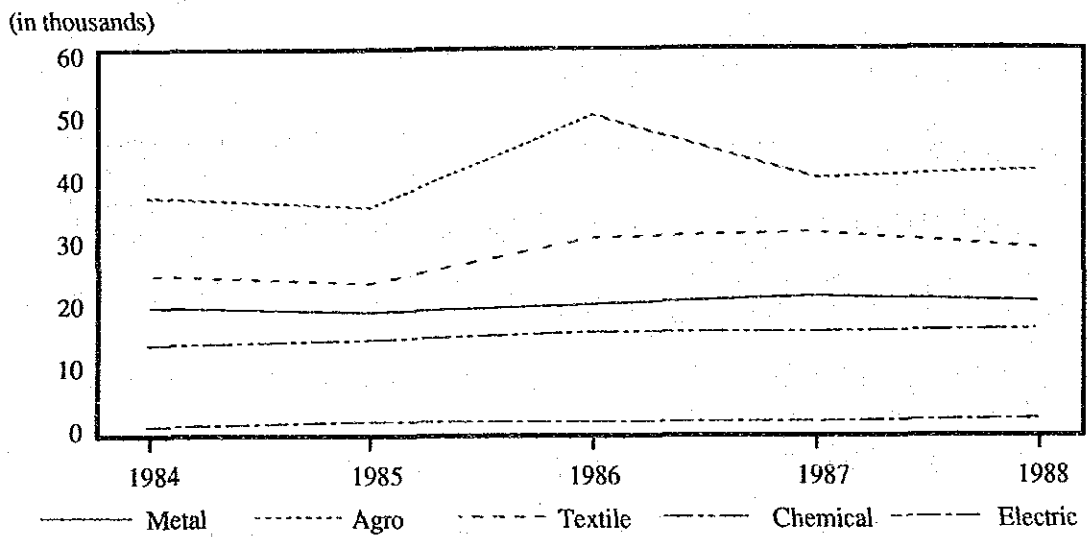


Fig. 6.3.4 Trend in Number of Employees

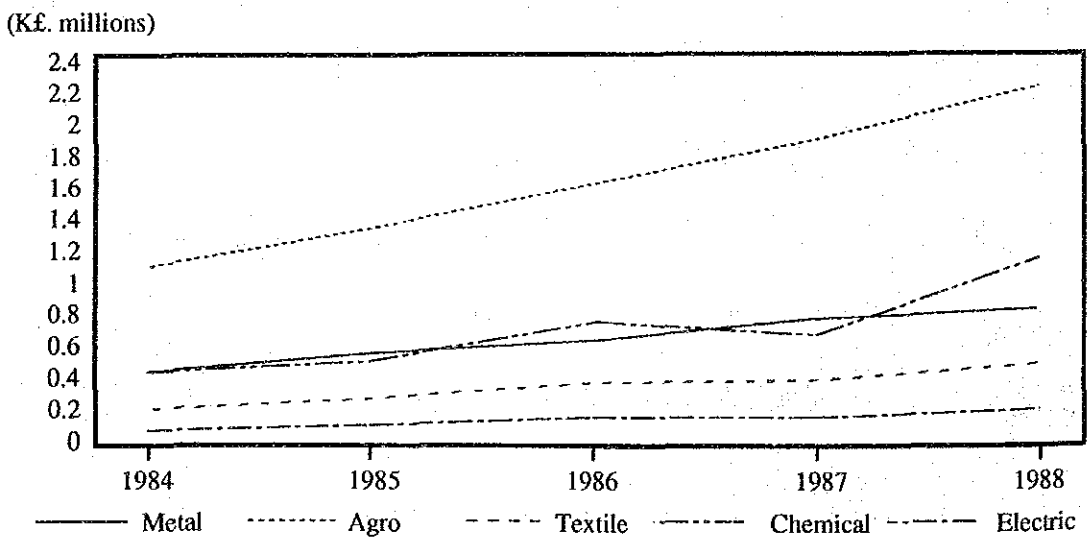


Fig. 6.3.5 Trend in Output

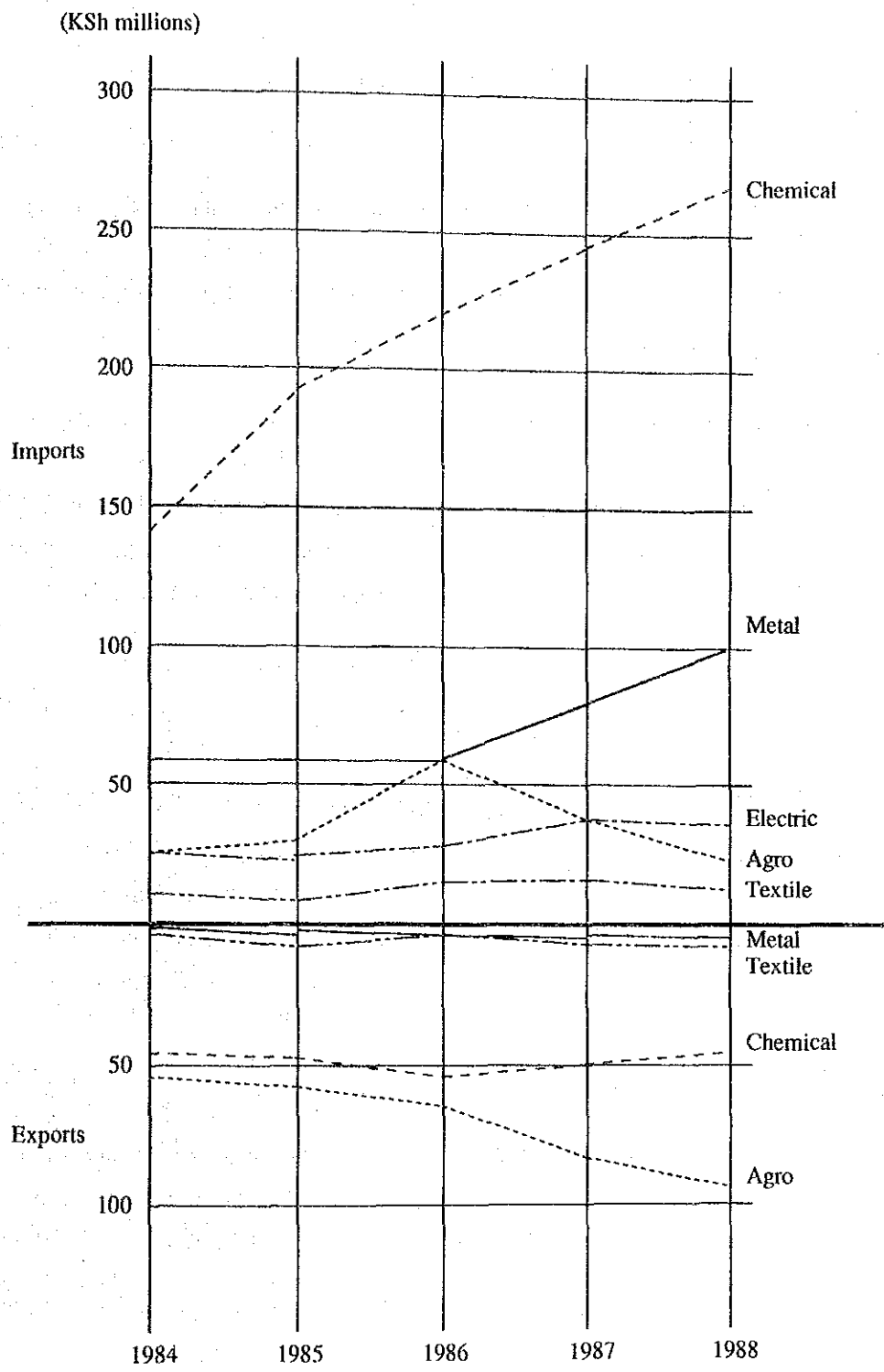


Fig. 6.3.6 Trends in Imports and Exports by Industry (Constant 1984 Prices)

(3) Consideration from Market Outlook and Technical Level of Production

1) Agro-based and marine processing industry

(Market outlook)

Products in this industry meet domestic demand and are exported constantly to the EC. Expansion of exports to industrialized countries other than the EC is anticipated by strengthening marketing, and creating a reputation of Kenya's products for foreign consumers.

(Production)

This industry's technology is well established as compared with other industries. Since the raw materials are locally procured, stable operation is relatively possible in this industry. However, valued-added improvement is needed through improvement in design and packing materials.

2) Textile and garment industry

(Market outlook)

Some garments are exported to the EC and the U.S. Blankets are exported to the PTA, but blanket exports have not been expanded to the EC because of comparatively higher prices. If Kenya's garments are competitive with other countries in quality and price, these exports will expand. Also, domestic demand for synthetic fibers is expected to increase.

(Production)

Since this industry possesses the basic technology and facilities, the possibility of becoming one of the leading industries is high. However, in this industry, existing facilities are old and the unstable supply of spare parts hinders operations. If foreign firms are invited to set up factories in the EPZs, or as MUB, production of synthetic fibers will be promoted.

3) Chemical industry

(Market outlook)

Major export products in this industry are pyrethrums, wattle bark, and odoriferous substances, which are produced using locally produced materials. The products are exported mainly to industrial countries and the

demand for these products will increase in the future. Major products for PTA countries and domestic use are insecticides, medicines, dry cells and plastic products which are produced from imported materials. Demand for these products will gradually rise.

(Production)

Enterprises, other than foreign affiliates and large corporations, have difficulty in the procurement of raw materials and spare parts due to insufficient foreign currencies. The potential for the production of synthetic fibers, cellophanes and plastics used as packing materials is based on a stable material supply from the existing petroleum industry, but foreign firms should be invited for further development of these products.

4) Metallurgical and metalworking industry

(PTA market outlook)

The PTA countries, excluding Zimbabwe, are lagging behind in the development of these industries. Because of this, Kenya exports steel construction materials to the PTA countries. While the domestic demands for steel materials have increased, Kenya imports more than 50% of its demand for steel materials.

(Metalworking production)

The metalworking industry possesses basic technology and production facilities, so that diversification of metal products could prove easier than in other industries. If materials are secured and mass production is possible, metalworking factories will be further developed.

5) Electric and electronics industry

(Market outlook)

Demand for electric and electronic products in Kenya and the PTA countries has increased, but Kenya lags behind in exporting these products.

(Production)

Kenya relies on the completely knocked-down (CKD) production of foreign firms at present. Local manufacturers should be encouraged to supply spare parts to foreign firms.

The key points are summarised below:

- (a) There is an external market primarily in the EC and PTA countries. If Kenya develops industries that can compete with products imported from the EC to PTA countries, these industries could be developed as export-oriented industries.
 - (b) Basic technology is established at the five new core industries excluding electric and electronics industry. Since the chemical industry is a capital-intensive industry, foreign firms will continue to lead this industry.
 - (c) The metallurgical and metalworking industry and electric and electronics industry are not meeting domestic demand, and, therefore, should be developed and strengthened as soon as possible.
 - (d) The textile and garment industry, and metallurgical and metalworking industry have basic industrial technology. Stable production of quality products should be promoted in these industries.
 - (e) The chemical industry, and electric and electronics industry are the subsectors which are the most difficult to develop with only Kenya-based technology and capital.
- (4) Core Industries Selected by Kenya's Industries

KNCC&I and KAM selected the following subsectors as the new core industries

- 1) Subsectors selected by KNCC & I
 - (a) Agricultural and Agro-based Industries
 - (b) Fertilizer and Chemical Industries
 - (c) Leather Industry
 - (d) Textile and Garment Industry
 - (e) Mineral Industry
 - (f) Metalworking Industry
 - (g) Building and Construction Materials Industries

2) Subsectors selected by KAM

- (a) Fertilizer and Chemical Industries
- (b) Leather Industry
- (c) Pharmaceutical Industry
- (d) Metalworking Industry
- (e) Marine and Fisheries Industries
- (f) Agricultural and Agro-based Industries
- (g) Textile and Garment Industries

(5) Overall Evaluation for Leading Industries

Table 6.3.2 shows the results of the above evaluation for the five subsectors. The evaluation level is divided into "A", "B", and "C"; a "+" mark is added for a higher evaluation, while a "-" mark is added for a lower evaluation. For example, an item evaluated with a "+" designation is closer to the next higher ranking than one designated with a "-".

The overall evaluation indicates that the agro-based and marine processing industry, the textile and garment industry, and the metallurgical and metalworking industry are ranked as "B (+)" or higher. However, the agro-based and marine processing industry is already Kenya's leading industry.

The textile and garment industry and metallurgical and metalworking industry have been selected by the Team as leading industries.

Characteristics of the two sectors are as follows:

1) Textile and garment industry

The creation of employment opportunities is a major task of the Government. Most enterprises in this industry are small- and medium-scale, labor-intensive firms. Because only small amounts of investment in equipment and facilities is required, and the period of the investment recovery is short, this industry is suitable to Kenya. Judging from the experience of the Asian NIEs, this industry can be successfully promoted as an export-oriented industry.

2) Metallurgical and metalworking industry

This is a typical capital goods industry that is marked for intensive development as outlined in the sixth National Development Plan. The metallurgical and metalworking industry supplies the necessary parts and spare parts to a country's manufacturing industries, and those basic materials necessary for the development of a country's social infrastructure. Simply stated, if this industry is not developed, the national economy will not develop.

The Study Team found that steel consumption per capita closely correlates with income per capita. For example, steel consumption per capita by country in 1989 was: 754 kg for Japan, 576 kg for West Germany, 412 kg for the U.S.A., 304 kg for Britain, 25 kg for India, 23 kg for Zimbabwe, 8 kg for Kenya. (source: Steel Statistical Yearbook 1990.)

Further study revealed that steel consumption per capita in other PTA countries in 1989 was 0.5 to 2 kg, and most of the countries in the PTA lag behind in the development of this industry compared to Kenya. If Kenya's industry is developed, economic and social advantages gained from export promotions will be realized.

Table 6.3.2 Evaluation Results of Leading Industries

Item	Evaluation Criteria	Agro-based	Textile and Garment	Chemical	Metallurgical & Metalworking	Electric & Electronics
Firms	The number of firms	A	B (+)	B (-)	B	C
	Increasing tendency	B	B	B (-)	B (+)	C
Employees	The number of employees	A	B (+)	B (-)	B	C
	Increasing tendency	B	B	B	B	C
Output	Output	A	B (-)	B (+)	B	C
	Increasing tendency	B	B	B (+)	B	B
Imports	Imports	C	C	A	B	B
	Decreasing tendency	A	A	C	C	C
Exports	Exports	A	C (+)	B	C (+)	C
	Increasing tendency	A	A	B	A	C
Technical Level of Production	Current level of development	A	A	B	B	B
	Linkage effect to other industries	B	B	B	A	C
Market outlook	Domestic	B	B	A	A	B
	Foreign	A	B	B	B	C
Expectation in Kenya's Industry		A	A	A	A	B
Overall evaluation		A	B (+)	B (-)	B (+)	C

A: Good B: Fair C: Passable

(+) : a (+) designation is closer to the next higher ranking.

(-) : a (-) designation is closer to the next lower ranking.

CHAPTER 7 COMMON FACTORS FOR IMPROVEMENT OF INDUSTRIAL TECHNOLOGY

It is imperative that firms manufacture products that meet market expectations in terms of type, performance, price and quantity. To this end, companies need equipment and factories to manufacture products based on adequate domestic and overseas market surveys.

Specifically, governmental institutions, industrial associations, and manufacturers should work together to strengthen the four essential factors required for the improvement of industrial technology. These factors are:

- (a) Improvement of industrial information services
- (b) Enforcement of standardisation
- (c) Introduction and promotion of quality control
- (d) Introduction of new technology

7.1 Improvement of Industrial Information Services

Generally, manufacturers base production and business strategies, such as modification of product designs or types of products, on reliable and valid market information. This requires manufacturers to collect and analyse domestic and overseas market information to meet rapidly changing international and domestic markets.

At present, however, industrial information is not efficiently obtained by Kenyan manufacturers. Manufacturers need mechanisms for obtaining the industrial information necessary for production activities. The manufacturers in the industrialized countries generally collect, exchange and channel industrial information through industrial associations, trade groups and other organizations. Also, industrial information about extensive domestic and overseas markets is collected by government institutions and industry associations, and then provided to manufacturers via the various types of communication medias.

In principle, the systems of providing industrial information should be designed in conformity to the situational needs of individual countries, such as business locations. For this purpose, the following steps should be taken.

- (1) KETA should provide information about external markets and technology to domestic industrial associations, and information on domestic industries to organisations of other countries. TPC should be responsible for this in the future.
- (2) Information on domestic export-oriented industries and technology collected by governmental institutions (KIRDI, KBS) and industrial associations (KNCC&I, KAM), should be gathered, analysed and provided by TPC to domestic or external organisations. While this will first have to be done by KETA, it should be TPC's responsibility in the future in order to increase efficiency.

7.2 Enforcement of Standardisation

- (1) Economical production should conform to standardisation in order to facilitate:
(1) exchange of industrial information among manufacturers; (2) establishment of production goals and confirmation of the result; (3) confirmation and indication of quality for the procurement of materials; and (4) product sales. If standardisation is enforced in Kenya, then the following results could be expected from the country's industries and manufacturers:

- 1) **Standardisation of work drawings**

Because appropriate work drawings are not available in many cases in Kenya, the production is primarily accomplished by duplication. Lack of technological information makes it difficult to produce a quality product.

Standardisation will enable users 1) to put such information into work drawings, 2) to confirm their production goals, and 3) to exchange their technological information through inter-manufacturer linkage.

- 2) **Measurement technology**

The standardisation of measurement units such as weights and length, and methodology will promote quality control and inter-manufacturer linkage.

3) Development of standard parts

Standardisation enables the development of standard parts. Bolts, nuts, and springs, which are used by many manufacturers, will be produced as common parts allowing mass production and cost reductions.

4) Standardisation of quality indication

The indication of quality based on the standardisation of products facilitates commercial transactions at the materials procurement and product sales stages. Such indication of quality enables consumers to use products in proper manner.

(2) To promote wide-spread acceptance of standardisation requires implementation in the following manner:

1) Educate students to fully understand the importance and significance of standardisation in educational institutions such as universities and vocational schools.

2) Conduct guidance and enforcement activities regarding standardisation through KBS and industrial associations.

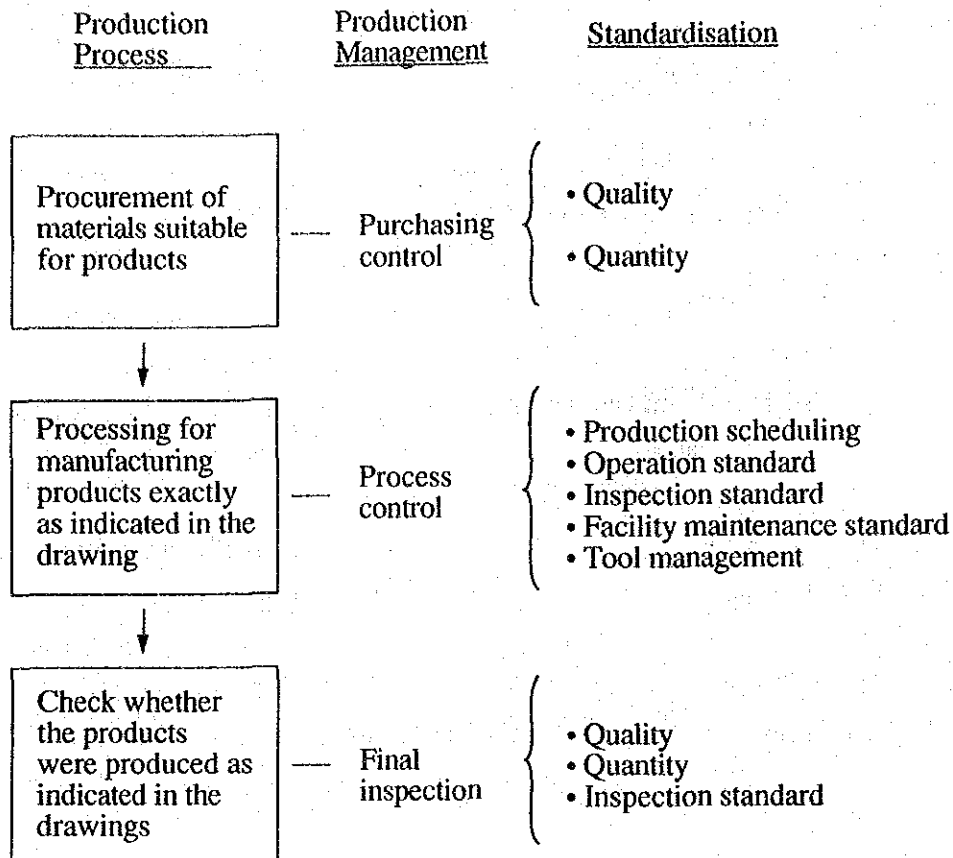
3) As a rule, materials and products that are imported and exported shall abide by an internationally authorised industrial standards including International Standards (IS). When Kenyan Industrial Standards (KIS) are used, equivalent international standards shall also be used in combination.

7.3 Introduction and Promotion of Quality Control

Improvement of product quality is a major task for Kenya's manufacturers. Accordingly, pursuit of product-cost reductions as well as improvement of quality by the manufacturers, requires the use of Quality Control (QC) in an early stage of production.

QC is used in all production processes to achieve consistent quality (with the specified accuracy) according to production plans within desired costs.

QC can be summarised as follows:



As shown above, seeking stabilisation and improvement of product quality requires improvement not only in the production process, but in management as well. Therefore, this needs to be taken into consideration when KBS and industrial associations provide guidance to the manufacturers regarding how to introduce QC.

7.4 Introduction of New Technology

In Kenya, there are industries that have a high degree of technical development, and industries that have a low degree of development. Particularly in the field of metalworking, the production level varies according to metal materials, shapes and production volume. In the case of Kenya, the following technology should be introduced to respond to market needs.

(1) Material Processing Technology

In metalworking industry, material processing technology is very important for the provision of spare parts and for production of metal products. Establishment

and support of manufacturers that specialise in metal processing is essential for the industry to meet market needs.

Material processing technology is divided into the following:

1) Casting

Excess metal should be reduced in order to increase the accuracy of the finished products and reduce costs. For this purpose, introduction of a molding method and related technology suitable for Kenya's market is necessary.

2) Forging

The technology for free forging, and mold forging for intermittent production is established in Kenya. However, mold forging technology for continuous production is not yet established. In the future, it will be necessary to introduce continuous forging technology (such as forging technology used in the production of materials for automobile parts).

(2) Heat treatment

Heat treatment technology is necessary in order to improve the quality of metal products. It is necessary to introduce the latest technology and facilities that are found deficient by the market study in terms of material quality, size of product, type of technology, etc.

(3) Metal press (drawing processing)

Metal press technology that uses imported die sets is already established in Kenya. Development of new products through the introduction of drawing technology should be proposed in the future. Drawing processing consists of spinning drawings (manual) and mold drawings; the former is not suited for mass production, but the latter is suited for mass production. Tools and jigs that are required for the drawing processing depend on importation, and introduction of production technology and facilities for tools and jigs should be pursued when there are prospects for an expansion of market share.

7.5 Integration of Industrial Technology and Management Methodology

Improvement of the four factors: 1) quality control, 2) enforcement of standardisation, 3) introduction of new technology and 4) improvement of industrial information services will stimulate industry in Kenya, and will lead to becoming more internationally competitive. These factors are strongly associated, and must be implemented together. Figure 7.4.1 demonstrates the relationship of these factors.

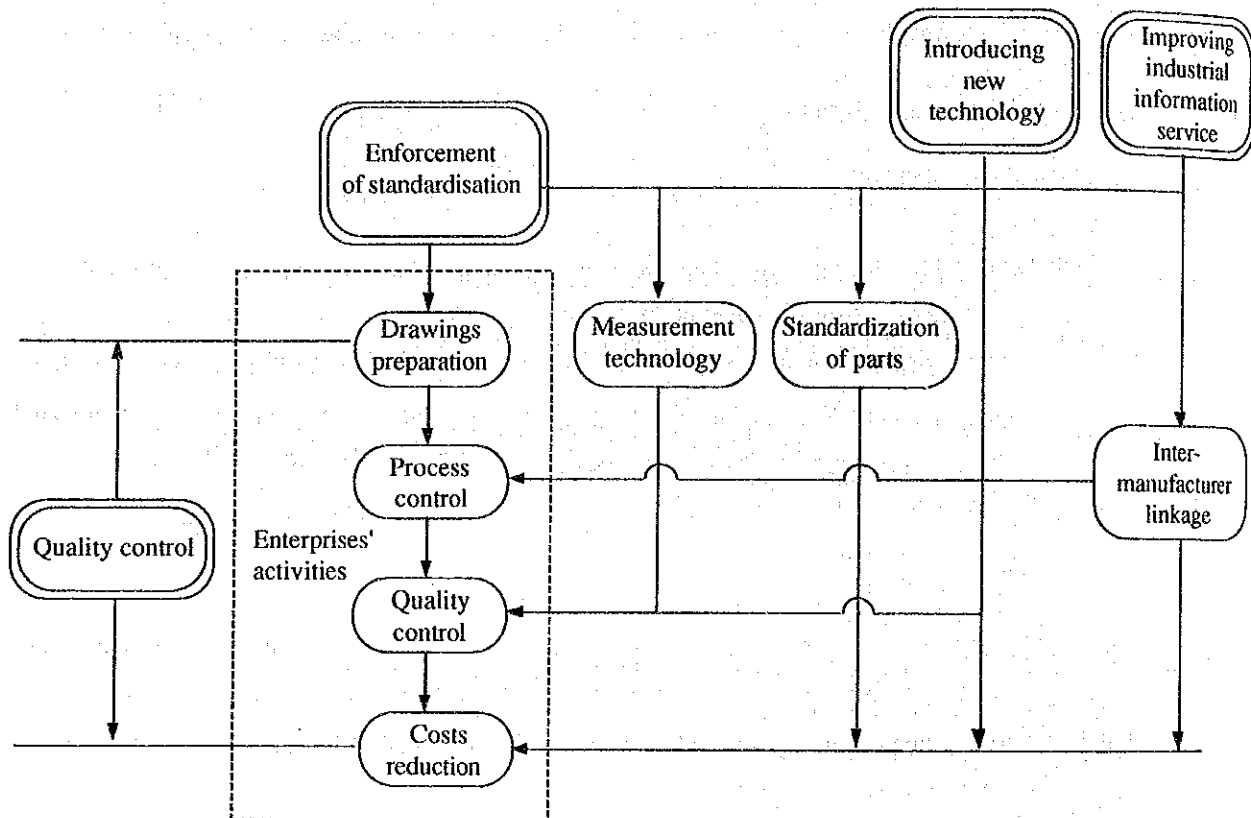


Fig. 7.4.1 Relationship of Industrial Technology and Quality Control

The benefits from implementing these factors together are as follows:

- (1) Manufacturers can facilitate production activities through a collection system of industrial information. Enforcement of standardisation contributes to the quality control of manufacturers. At the same time, production of standard parts should facilitate parts procurement and the reduction of costs.

- (2) In metalworking, emergence of specialised manufacturers with new technology leads to stable, quality products.
- (3) With enforcement of standardisation, manufacturers can exchange technical information quickly. Hence, if manufacturers have a stronger awareness regarding functions and costs of their products, inter-manufacturer linkage would be promoted through specialisation of production.
- (4) Manufacturers can easily introduce QC as a result of the three factors discussed and be better able to attain production goals.

PART III

ACTION PROGRAMMES

CHAPTER 1 ACTION PROGRAMMES FOR DEVELOPMENT OR IMPROVEMENT OF THE EXPORT PROMOTION SYSTEM

1.1 Structural Problems in the Exporting System and Possible Solutions

The process for obtaining export approval consists of applying for an import license for raw materials, obtaining export financing, applying for an export license, receiving customs clearance and applying for compensation or duty refund. Simplifying the procedure at each stage minimizes the possibility of misunderstanding and misguidance between officials and individuals and can promote mutual trust between government and industry representatives.

The cooperation of the government and private sectors is necessary for the development of Kenya's exporting industries. This cooperation is based on mutual trust, the building of which requires a concerted effort by the government. These efforts must be made at all levels of government, especially with those having direct contact with private companies and individuals. Generally, the first contact that private individuals and companies have with the government is at a government licensing office. Government officials should efficiently carry out administrative duties while being concerned for the needs of the individuals seeking licenses.

Improvement in government license processing should be carried out in the following manner.

(1) Clear Guidelines for Approval of Applications

The government offices in charge of approving applications should set clear guidelines for approval. They should also establish a system for notification of reasons for disapproval.

(2) Quick Processing of Documentation

1) Set time limits for processing by the government

There are time limits set for license processing in EPZ and duty-exemption import applications. These time limits should also be applied to other permission and approval processes. This will help reduce problems such as

the need to submit duplicate applications, and will allow applicants to arrange business and production schedules beforehand, significantly reducing business costs.

2) Explain reasons if there is a delay

The relevant government offices should be required to explain the reasons for delaying or denying EPZ and duty exemption applications. This requirement should also be applied to other export permission and approval processes.

3) Clarify government responsibility

The government should clarify which departments are responsible for complaints and problems. It also should establish an office for promptly handling complaints about the permission and approval processes.

1.2 Export Finance and Export Insurance System

1.2.1 Export Finance

The government of Kenya has established a bill rediscounting scheme, under the authority of the central bank, to meet the needs of pre-and post-shipment finance. The scheme operates in the following manner.

The exporter, after entering into an agreement with a foreign firm, receives a letter of credit and orders materials from domestic and foreign suppliers. The exporter then submits the necessary proof and documentation to a commercial bank and draws a bill to obtain the required funds.

The commercial bank recovers the funds paid to the exporter and then the bill received by the commercial bank is rediscounted by the central bank.

The central bank charges the commercial bank the preferential interest rate as the rediscount rate. The commercial bank charges the rediscount interest rate plus its commission to the exporter.

The period of the loan is from the time of request (when the loan is made to the exporter) until the export documents are negotiated over to the bank.

The central bank subrogates the credit from the commercial bank which was extended to the exporter as the export financing. This scheme has been a direct, effective measure for providing export financing.

In contrast to export insurance, this is direct financing to commercial banks rather than a guarantee against export risks which requires more fund. The central bank must provide the same amount of money as is loaned to the exporters. Increased exporting will increase demand for export financing, putting financial pressure on this scheme in the future. To avoid over-commitment, export financing in the future should be provided by commercial banks and guaranteed by export insurance.

Once the export insurance scheme comes into force, it is expected that the role of the bill rediscount scheme will gradually be taken over by the export insurance scheme.

1.2.2 Export Insurance

Export insurance compensates for losses from export transactions incurred when it becomes impossible for an exporter, as a result of import prohibition at the destination, tariff hike or the bankruptcy of the importer, to carry out a contract to export products or collect export proceeds. These losses are not covered by ordinary insurance (marine insurance and other damage insurances).

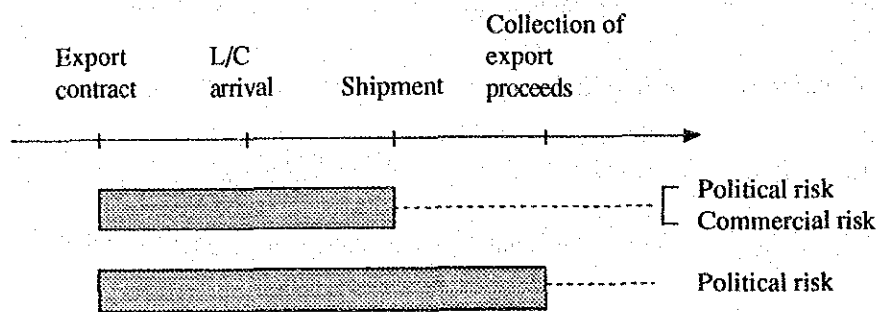
An export insurance scheme must be established as soon as possible to allow banks to finance exporters and to adequately cover risks to the exporters. The government must fully understand export insurance, investigate the financial status of foreign customers, rate customers, and set up a government organisation (such as a department or agency) responsible for the administration of the insurance scheme. It is estimated that about three years will be required for the establishment of the export insurance scheme.

(1) General Export Insurance - (Coverage for Exporters)

This insurance mainly compensates losses when exports cannot be shipped but also covers political risks after shipment. This GEI is applied in the following two cases.

- 1) When shipment becomes impossible after an export contract goes into effect due to import restriction by the government of destination, restriction of foreign exchange transactions, war, revolution, civil war (political risks) or bankruptcy and unilateral cancellation of a contract by the other party in an export contract (commercial risks).
- 2) When payment from an export cannot be collected after an export contract goes into effect due to the political risks described above.

The period covered by an export contract can be illustrated as follows:

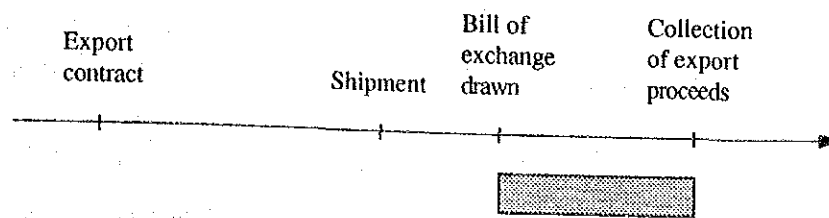


(2) Export Bill Insurance - (Coverage for Banks)

Originally, this insurance was intended for D/P (document against payment) and D/A (document against acceptance) transactions which are not supported by letters of credit, and covered the risk of a bill of exchange drawn by an exporter not honored after it was purchased by a foreign exchange bank. With the increased global credit uncertainty in recent years, this insurance now covers cases where letters of credit are not confirmed by third party banks by a letter of credit transaction.

In other words, it now includes bills of exchange drawn for collection of export proceeds and compensates losses incurred by purchasing banks as a result of the non-payment of bills at maturity due to political or commercial risks.

The period covered by the insurance is as follows:



(3) Export Finance Insurance - (Coverage for Banks)

Export finance insurance covers bank losses incurred when collection of pre-shipment finance extended to domestic exporters or manufacturers becomes impossible.

General insurance and export bill insurance provide coverage for cases where export proceeds are not collected due to circumstances of the party or destination country of an export. Export finance insurance compensates losses incurred by the financing banks when domestic exporters or manufacturers fail to repay loans due to bankruptcy or other circumstances. This insurance provides incentives to finance exporters and manufacturers.

The term of this insurance coverage is the same as the period of the loan.

1.2.3 Implementation of the Export Insurance Scheme

The export insurance scheme should be implemented in three stages.

- (1) Stage I (first and second year): Establishment of an Export Insurance Commission (provisional name)

An Export Insurance Commission must be established as the government organisation (department or agency responsible for the scheme) with representatives from pertinent organisations including the MOF, MOC and Central Bank. The commission will plan and develop the export insurance scheme, and after establishing the scheme it will serve as a monitoring body. The following requirements are necessary for the establishment of this scheme.

1) Preparation of legislation bills

The export insurance scheme is to be administered by the government. Budgetary measures and legislative measures will be required for the establishment of relevant departments. The Export Insurance Commission will be responsible for writing legislation for establishment of responsible departments and for the export insurance scheme.

2) Creation of a fund for the establishment of the scheme

It will be necessary to create a fund so that the scheme can become self-sustaining. The money for this fund will have to initially come from the general budget. After establishment of the fund, the export insurance scheme will be operated from the interest paid on the fund and the premiums charged to beneficiaries. There is debate as to the amount of this fund, the amount of foreign exports and the number of government officials required for this scheme. For reference, an example of the Japan Export Insurance Division in 1950 is given below. The exports covered under export insurance at that time were not more than 1% of the value of total exports.

Example of Japan Export Insurance Division in 1950

(Unit: one thousand US dollars)

Export item	Textile and garments	Machinery and metals	Chemical	Agriculture and fisheries	Other	Total
Value of Exports	296,093	144,982	7,210	34,582	71,650	554,517
Export Insurance Fund	8,330 (equivalent to three thousand million yen)					
Number of officials at the Export Insurance Division	30 (persons)					

3) Selecting and training officials

Preparation and implementation of the scheme require that delegates be selected and sent to countries with working insurance schemes to facilitate

the education and training of government officials. Experts from other countries can be invited to come to Kenya.

An example of such scheme in another country is the ECGD (Export Credit Guarantee Department) system, introduced after the passages of the export insurance legislation in Japan in 1950 in place of the previous system. The Republic of Korea and Taiwan also initiated schemes similar to the present Japanese scheme, with little modification.

4) Formulation of administration policies

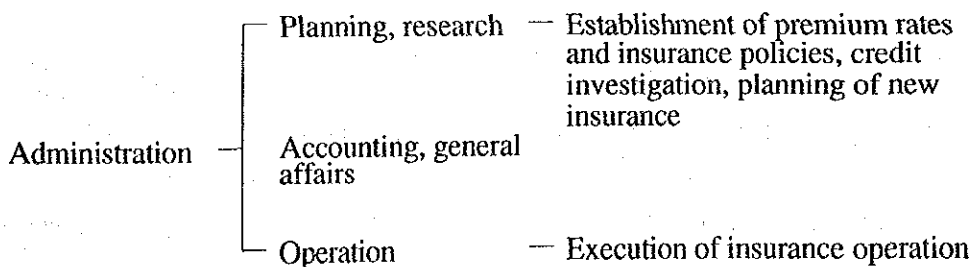
Kenya must decide whether to operate the scheme under the direct administration of the government or consign its operation to private insurance companies and banks.

At present, HERMES in Germany is the only case where the operation is consigned to the private sector. In the U.S., the Republic of Korea and Taiwan, the respective schemes are operated by the countries' Export Import Banks. Other countries administer schemes under direct government control.

The final responsibility of funding for the scheme rests with the government regardless of the type of administration.

5) Establishing the organisation

Before the scheme is implemented, the department in charge of posting personnel must be decided. Within that department, general affairs and accounting divisions are necessary in addition to a division for operations to allow it to be self-supporting. The organisation will be as follows:



(2) Stage II (second to fourth year): Implementation of Export Insurance Scheme

As mentioned above, insurance shall be limited to three types during its initial stage:

- General export insurance
- Export bill insurance
- Export financing insurance

Export insurance is used to cover losses from political or commercial risks arising in the destination country. It also offers assurances to banks that have extended export financing to exporters and manufacturers. To successfully do this, it is important that the insurance organisation be required to accumulate relevant financial data and information regarding the companies and countries of the export destinations and credit worthiness of exporters and manufactures in Kenya.

The scheme should also seek credit information and other legitimate business data from Kenya's financial community. Since the newly established organisation will start off with few data of its own, it is important to utilize credit rating system of the banking industry for political and commercial risks.

The existing bill rediscount scheme should be incorporated into the export insurance scheme when feasible.

(3) Stage III (fifth year onward): Expansion of the Scheme

As the amount and types of exports increase, the scheme should be extended to cope with the increase. Possible changes include expanding the types of exports covered, creating new forms of insurance and collecting more information and data.

1.3 Expansion of the Coverage of Export Promotion System to MUB and Trading Houses

(1) Manufacturing Under Bond (MUB)

Although MUB manufacturers are given duty-free status on the import of raw materials from overseas, the only domestic procurement benefit given is an

exemption from paying VAT. Purchases of domestic materials by MUB manufacturers should be allowed the same privileges as for export processing zones (EPZs). This change should be done as soon as possible.

MUB manufactures should also be allowed to sell excess products (manufactured products above what they are able to export) domestically following the same procedure as allowed for EPZs.

(2) Trading Houses

The current duty-exemption scheme provides benefits mainly to manufacturers. In line with the goal of promoting exports, the export promotion system should be extended to all exporters, including trading houses, unless there is a conflict with national objectives.

The export business does not have to be carried out by only manufacturers. One firm cannot meet all the requirements of information, funds, and human resources. The expansion of coverage of the promotion system would help foster specialised trading houses. This policy should be implemented as soon as possible.

1.4 Encouragement of Trading Houses

Trading houses differ from manufacturers exporting their own products. Not requiring production facilities, trading houses are often smaller in scale. A trading company profits from the buying and selling of products, and is not limited to a specific type or quantity of products. On the other hand, manufacturers profit from the sale of products based on the production process and export sales. Although this seems to increase profits per product, it also limits a company to selling its own products that generally are limited in variety and quantity.

Trading houses play a substantial role in fostering trade. Encouraging the development of trading houses will increase exports. Trading houses are not directly engaged in production activities. But because profits of a trading company are determined by the goods it procures and sells, these companies exert considerable influence on the production process. Dependent on the successful sales of products, trading houses attempts to procure quality products. When unable to acquire competitive products domestically, they will look to foreign producers. This will compel domestic

manufacturers to make a tough choice between producing competitive products and losing profit opportunities.

Trading houses can be described as necessary intermediary agents in the free market system. In the free market mechanism, trading houses should not be constrained by policies that run contrary to the principles that guide the conduct of free trade. A major cause of unpalatable performance by government-controlled trading houses is the temptation for government entities to strictly adhere to policies that contradict free trade principles. A trading house is successful when it finds suitable products and market conditions exist that promote profitable economic exchanges. Trading houses do not function as the manufacturers of products or determine economic conditions. But, trading houses through the expansion of trade transactions, can reinforce a self-perpetuating manufacturing system that stimulates increased demand for production and the export sales of quality products. For this reason trading houses play an extremely important role in trade expansion.

Kenya has a few trading houses specialising in horticultural products which are thriving economically. And the Kenya National Trading Corporation (KNTC) primarily exports coffee and tea. For this reason, the Study Team strongly believes that other trading houses could be developed as extensions from Kenya's existing import firms. These companies have potential as exporters if Kenya's export industry were further developed. In order to stimulate export growth and development, the government needs to ensure a sound trade environment that will support the efforts and activities of trading companies. For this purpose, the following guidelines should be considered:

- (1) Abolition of privileged trading practices (for example cotton trading).
- (2) Application of all export incentives (import licences, tax exemptions, export financing, etc.) to trading firms.

1.5 Small- and Medium-Scale Firms Finance

1.5.1 Forming Manufacturing Groups of Small- and Medium-Scale Firms

Although the promotion of small- and medium-scale firms is significant for industrial development, it is difficult to provide export incentives (e.g. financing, technical assistance) to individual companies because of the differences in the kind of business, credit worthiness and technical capabilities of each. Designing a program that would be

universally applied to all companies would prove inefficient and bureaucratically impossible to manage. And, in many cases, individual companies could not benefit substantially from such broad incentives.

A method must be employed that enables the government to provide beneficial help to small- and medium-scale firms. Forming manufacturing groups would best serve this purpose. By forming groups, small- and medium-scale firms can derive the following: obtain bank loans by offering joint collateral; become eligible for government subsidies; increased likelihood of obtaining new investments; the extension of joint business ventures; technological improvement through information exchange; and, joint marketing and purchasing.

Promoting the formation of manufacturing groups is the most effective measure for financing the requirements of small- and medium-sized firms, and as a means by which these companies can expand market share when competing with large firms that have an advantage in terms of quality, price and reputation.

1.5.2 Implementation

(1) Study and Preparation Stage (first to third years)

1) Study of industry aimed at formations of groups

The government should study each industry and subsector and locate those areas most likely to benefit from the formation of groups. Likely candidates are found in an industry and subsector where there are many small- and medium-scale firms producing similar products for comparable markets. It should be pointed out that potential conflicts of interests among member firms are a problem that must be addressed and resolved at the beginning.

2) Organisation of a joint investigation team

The government should organize a joint investigation team which includes members from the private sector to study the likelihood of forming business groups. The team should be sent to other countries which are successfully managing such business groups to investigate operational conditions with an emphasis on the following subjects:

- (a) Financial conditions
- (b) Legal structures
- (c) Group management and functional characteristics

3) Establishment of a government body and preparation of financing

- (a) Divisions specialising in group financing should be established in ICDC, IDB and KIE.
- (b) A special government organisation should be established to provide guidance and financing that promotes the development of groups made up of small- and medium-scale firm groups.
- (c) Requests for loans (two-step loans) to donor countries to secure financial resources.

(2) Implementation Stage (third to fifth years)

1) Granting of corporate status to groups

The government should use the existing cooperative law or establish a new Trade Federation Law (provisional title), and grant corporate status to the business groups. The government should require mandatory registration of groups that solicit government benefits.

Once groups are formed and corporate status is obtained, groups will require administrative guidance and structures to mediate among member firms, and to undertake joint activities such as purchasing, sales and financing. Specialised trading firms within these groups may originate at this developmental stage.

2) Invitation of experts

Experts should be invited to provide guidance during the promotion of group formation. The government organisation bearing the responsibility for providing financial assistance to groups will require technical information and the appropriate expertise to fulfill its functions. Since

funding is a key component to any successful group formation, providing assistance before financing is in place would prove ineffective.

3) Creating model groups

Industrial associations such as KNCC&I and KAM should be strengthened for effective promotion of group formation. Both associations should work closely with financial institutions to create model groups within selected industries.

4) Implementing group financing

Once an eligible industry and a business group is designated, financing should be implemented in accordance with the given financial guidelines of those financial institutions.

5) Expanding eligibility

Once model groups are successfully operating within the system, a gradual expansion of industry eligibility should be considered after careful discussion between the government, KNCC&I, KAM and other industrial associations.

6) Expanding group activities

Groups should expand activities to include intra-group inspection and development functions and the ability to obtain financing for technical improvement such as establishment of joint factories and the renovation of existing facilities.

1.5.3 Positive Effects of Group Formation

- (1) Financial capacity is increased overall.
- (2) Joint purchases and sales reduces overall costs to groups.
- (3) Standardisation of products helps achieve uniform quality and strengthens market position.

- (4) Group marketing efforts improves an industry's ability to meet the demands of export markets.
- (5) A subcontracting system will ultimately be promoted within the group, which, in turn, helps establish more advanced specialisation.
- (6) Dissemination and expansion of business groups leads to overall improvement of the status and technical capability of small- and medium-scale firms, and establishes closer business links among firms.

1.6 Foreign Exchange Retention Scheme for Exporters

Promoting exports requires establishment of a foreign exchange retention scheme for exporters. Foreign exchange retention allows exporters to retain a portion of export revenue in foreign currency. (This portion should be less than 5%). This system provides exporters with benefits as mentioned below:

- (1) Exporters can make more business trips abroad.
- (2) Foreign currency held by exporters can finance capital improvement and allow repayment of medium-term loans regardless of domestic inflation.
- (3) Foreign currency may be used for other trade benefits that generate additional profits and lead to increased export activities.

1.7 Streamlined Customs Procedures

Customs is not part of the export promotion system, but is an agency for monitoring and controlling imports and exports. However, poor customs operations will reduce the effectiveness of the export promotion system. The introduction of schemes such as manufacturer under bond, export processing zones, duty exemptions, and duty drawbacks, will further complicate Customs' operations.

In order to promote fair and consistent enforcement of the laws and regulations governing imports and exports, customs must be carefully supervised. The procedures for clearing customs should be simplified, and export processing handled smoothly.

This requires improved technology and strict controls. The use of computers and special software applications will improve the accuracy and speed of processing.

1.8 Implementation Schedule for Improvement and Development of the Export Promotion System

Suggestions concerning actions for improvement and development of the export promotion system are listed in Fig. 1.9.1.

Item	Objective	Method	Support from Foreign Countries	Stage I Urgent (1st and 2nd year)	Stage II (3rd to 5th year)	Stage III (5th year onward)	Remarks
1. Structural problem	Build mutual trust between the Government and the private sector to improve the efficiency of system application.	Improvement of permit and approval window operation. Establishment of permit and approval restriction.		○	↑		Partially executed and urgently needs to be expanded.
2. Export financing and insurance	Implementation of financing before and after shipment.	Rediscount scheme of central bank.		○	↑		Partially executed. Improvement and expansion needed in the future.
	Stabilisation of export transaction.	Establishment of three export insurances.	Dispatch of investigation team. Invitation of experts.	○	↑		Preparation for dispatching investigation groups needs to start immediately, aiming for establishment within two or three years.
3. Expansion of promotion system	Export promotion for all industries	Generalization of incentive application.		○	↑		Needs to be realised immediately.
4. Trading house	Encouragement for trading house	Provide export incentives and Abolish preferential trade		○	↑		
5. Small and medium firms financing	Fostering of medium and small firms	Corporate grouping	Dispatch of investigation team. Invitation of experts. Request for two-step loan.	○	↑		Investigation team must be dispatched immediately aiming for realisation within two to three years. (industry organisations and MOI).
6. Foreign exchange retention	Expansion of incentives for export	Retention of a part of export earnings.		○	↑		Target set on two to three years from now.
7. Improvement of customs efficiency	Precision and speed in trade operation	Promotion of computerisation	Support of funds, technology and materials	○	↑		Needs to be realised immediately.

Fig. 1.9.1 Action Program Schedule for Improvement and Development of the System

CHAPTER 2 ACTION PROGRAMMES FOR DEVELOPMENT OF TRADE PROMOTION ORGANISATION AND FUNCTIONS

It is proposed to establish the "Supreme Trade Council" and the comprehensive "Trade Promotion Organisation", the necessity and purpose of which have been described in the Master Plan.

It is also proposed to establish facilities equipped with an economic and trade information centre, trade training rooms, rooms for handling trade enquiries, counseling rooms, a showroom and an event hall for various functions of the Trade Promotion Organisation. The functions of the Trade Promotion Organisation include the collection, analysis and provision of information, handling trade enquiries, and carrying out training on trade, public relations and holding or participating in exhibitions.

The above measures will be realized in the following way.

2.1 First Stage: Supreme Trade Council and Preparatory Secretariat Office

- (1) Strengthening the Export Promotion Functions of KETA, KIBT, KNCC&I, KAM, etc.

When strengthening these functions, efforts should be made for each organisation to specialise in certain functions as much as possible, as in the example below:

KETA	Collecting, analysing and providing information Handling trade enquiries Participating in exhibitions abroad
KNCC&I	Holding exhibitions in Kenya Handling trade enquiries Marketing
KAM	Holding seminars and business talks
KIBT	Operating training courses on trade

During this initial period, cooperation among each organisation should be maintained as a means to establish the Trade Promotion Organisation.

(2) Establishment of Supreme Trade Council

The policies and systems for export promotion should be drawn up, deliberated and decided accordingly on the premises of the cooperation between public and private sectors and the economic democratization. It is suggested that the Supreme Trade Council (STC) be established under the cooperation between the government officials and the top leaders of private sector, as a supreme advisory organ to the Government.

- 1) STC should formulate the strategy for export promotion.
- 2) Immediately practicable decisions should be put into practice by the relevant ministries and governmental organisations.
- 3) Since policy deliberations needs sufficient data and information, the STC Secretariat should be under the direct jurisdiction of STC.

There is the Joint Industrial and Commercial Consultative Committee (JICC) as a committee having a similar member structure. The JICC serves as the moderator where government officials and the top leaders of private companies can discuss possible objections to changing conditions in the industry and economy. The STC's activities are different from the JICC's activities. However, the transitory measure allows that members are added in the JICC, and the JICC is then operated with the same activities as the STC.

The members of the Supreme Trade Council would be as follows:

- Vice President
- Minister of Finance
- Minister of Agriculture
- Minister of Commerce
- Minister of Industry
- Minister of Planning and National Development
- Chairman of the Central Bank
- Heads of Various Boards
- Chairman of Trade Promotion Organisation
- Chairman of KNCC&I
- Chairman of KAM
- Appointed experts and academics

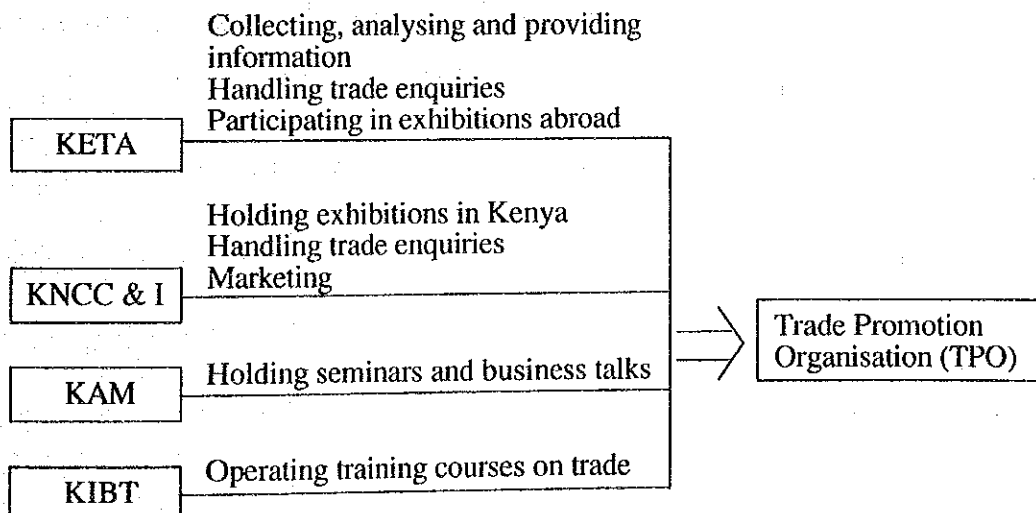
- (3) Setting up a preparatory secretariat office for the establishment of the Trade Promotion Organisation

The proposed secretariat should make preparations for the establishment of the Trade Promotion Organisation.

2.2 Second Stage: The Trade Promotion Organisation (TPO)

- (1) Establishment of the Trade Promotion Organisation

The trade promotion functions of KETA, KIBT, KNCC&I, KAM, etc. should be taken over by the Trade Promotion Organisation.



- 1) Cost of administrating and implementing activities would be financed by the government, interest from the Trade Promotion Organisation Fund and contributions from beneficiaries of the various services of the Trade Promotion Organisation.

The fund would be established with contributions from the government, private sector institutions and private companies.

A steering committee would be set up to advise on managing policies and plans.

- 2) It is desirable for the committee to be composed of people with a deep knowledge of the economy and trade from trade related ministries, government agencies and the private sector including KNCC&I and KAM.
- 3) Establishment of overseas offices would be considered in the future.
- 4) An influential person from the private sector who has sufficient knowledge of trade and international business would be appointed the chairman of the Trade Promotion Organisation.
- 5) Organisational chart (Refer to Fig. 2.3.4) applies to the inaugural period of the Trade Promotion Organisation. As the organisation expands its activities, more people would be employed accordingly.
- 6) Activities of the organisation would include all the export promotion activities stated in Chapters three and four.
- 7) Although the Trade Promotion Organisation is a not-for-profit organisation, principle of payment by beneficiaries would be introduced.
- 8) The Supreme Trade Council Secretariat could move into the Trade Promotion Organisation. Refer to Plan B in Fig. 2.3.1.

(2) Establishment of a Network

A domestic network should be set up to develop broad-based support for export promotion activities. A network with various organisations abroad should be expanded step by step to consolidate relations with them. Refer to Fig. 2.3.3.

2.3 Third Stage: Establishment of Trade Promotion Centre (TPC)

- (1) Facilities to house the Trade Promotion Organisation should be set up. Provisionally called the TPC (Trade Promotion Centre), the facilities should be equipped with an economic and trade information centre, offices for handling trade enquiries and counselling on trade, a showroom and an event hall. The TPC would be useful for both exporters in Kenya and importers from foreign countries. Also, this, would give Kenya its first permanent exhibition hall where Kenyan export products could be displayed. Such an exhibition hall would be of use to importers from other countries and would create business opportunities for Kenyan exporters. Meanwhile, the Ministry of Finance, Ministry of Commerce, Central Bank, Customs House, etc., can set up branch offices in the TPC, to help accelerate the enhancement and coordination of export procedures.
- (2) Once the above facilities are in place, Trade Promotion Organisation will move the entire operations into the TPC.

(Plan A)

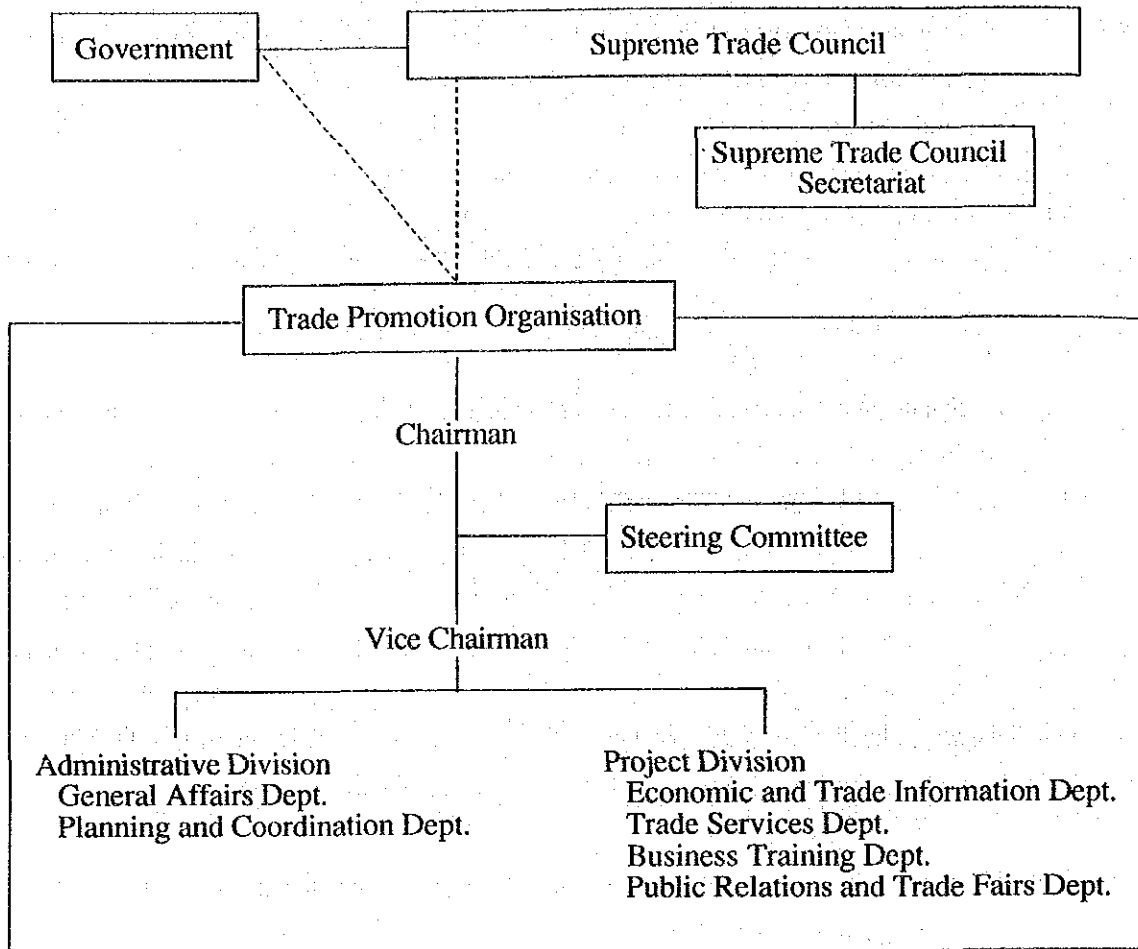


Fig. 2.3.1 Supreme Trade Council and Trade Promotion Organisation (Plan A)

(Plan B)

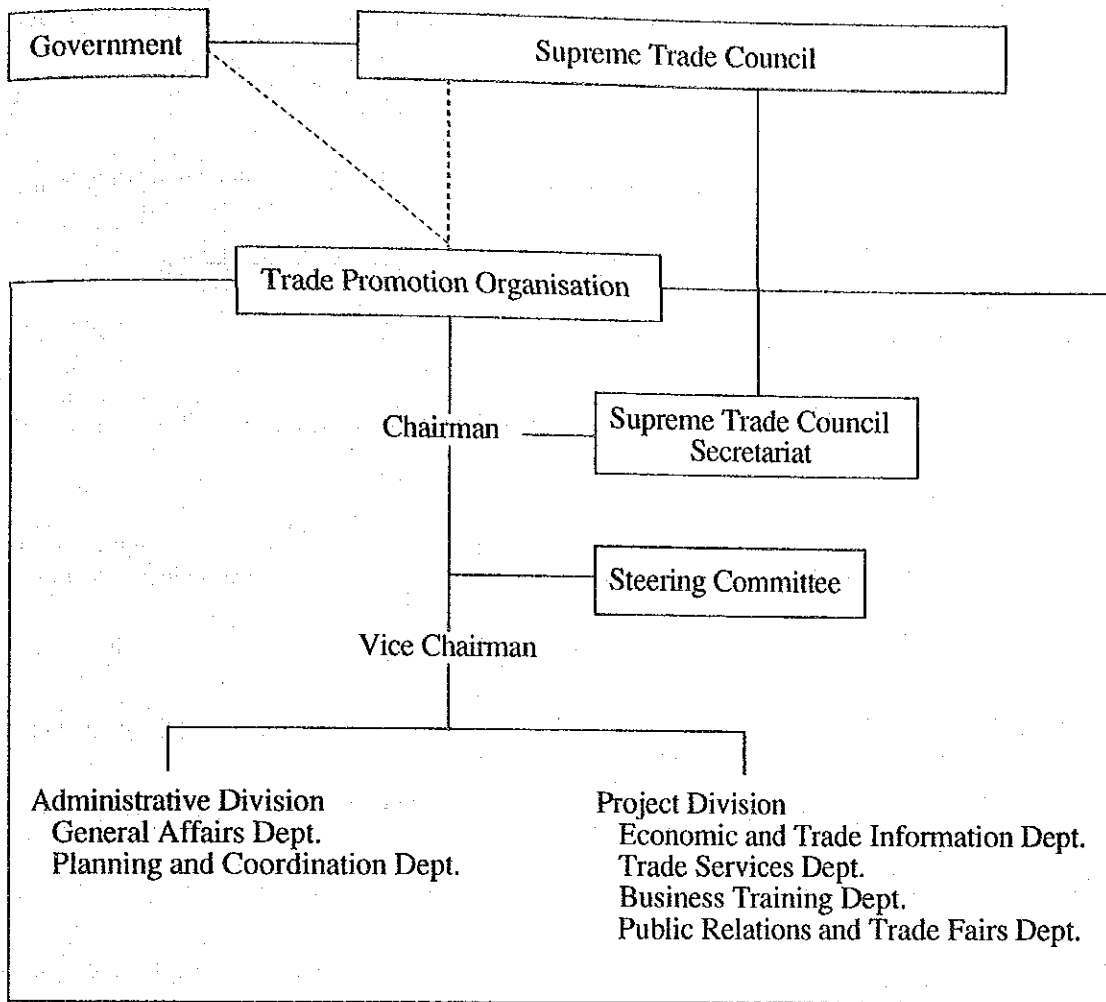


Fig. 2.3.2 Supreme Trade Council and Trade Promotion Organisation (Plan B)

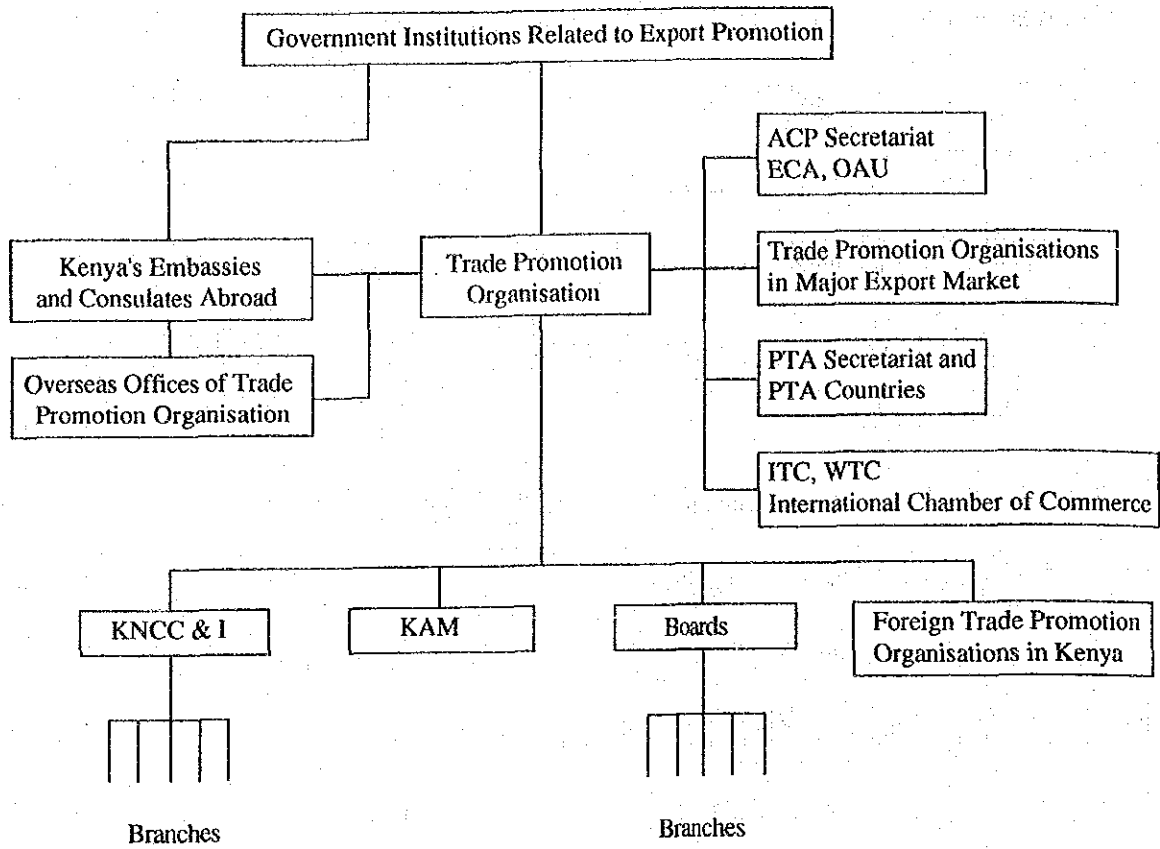


Fig. 2.3.3 Network for Trade Promotion

Departments	Function	Number of personnel
General Affairs Dept.	General affairs and personnel	2 persons
	Budget and accounting	2 persons
	Miscellaneous	2 persons
Planning and Coordination Dept.	Planning and Steering	3 persons
	Committee secretariat	
Economic and Trade Information Dept.	Data management	10 persons
	Research and analysis	20 persons
	Information service	5 persons
	Publications	10 persons
Trade Services Dept.	Improvement of export products	6 persons
	Trade enquiry	5 persons
	Trade counselling	4 persons
	Dispatch of missions	3 persons
Business Training Dept.	Export practices	8 persons
	Staff training	2 persons
	Export product improvement	3 persons
Public Relations and Trade Fairs Dept.	Public relations	7 persons
	Overseas exhibitions	5 persons
	Domestic exhibitions	6 persons
	Total	103 persons

Fig. 2.3.4 Trade Promotion Organisation Personnel

Action Programme	First stage (in 1-2 years)	2nd stage (3-5 years)	3rd stage (more than 5 years)
Strengthening export promotion functions of KETA, KIBT, KNCC&I, KAM, etc.	○ →		
Setting up Supreme Trade Council	○ →		→
Setting up Preparatory Secretariat Office	○ →		
Establishment of the Trade Promotion Organisation		○ →	→
Establishment of Network		○ →	→

Fig. 2.3.5 Action Programme for Development of Trade Promotion Organisation

2.4 Establishment and Operation of TPC

2.4.1 Outline of TPC

In order to run TPC in an effective and smooth manner, the following space for management and administration is required.

(1) Management and Administration

Office space is as follows

- 1) Chairman
- 2) Meeting room
- 3) Office rooms for the staff of
 - General affairs, planning and coordination
 - Economic and trade information
 - Trade services
 - Business training
 - Public relations and trade fairs

- (2) Information
 - 1) Information network room
 - 2) Trade library (Economic Trade Information Centre)
- (3) Trade Enquiries
 - 1) Consultation corner
 - 2) Reception room for trade missions
- (4) Public Relations and Exhibition
 - 1) Permanent exhibition hall (indoor and outdoor)
 - 2) Event hall
 - 3) International business lounge
- (5) Trade Training
 - 1) Training room
 - 2) Lecture/Seminar/Conference room
 - 3) Instructor's office
- (6) Others
 - 1) Branch offices of trade related organisations

For the convenience of trading businessmen, the following branch offices of related agencies are located in TPC.

- (a) MOF
 - (b) MOC
 - (c) Central Bank
 - (d) Customs
 - (e) KNCC&I
 - (f) KAM
- 2) Dining room

3) **Auxiliary facilities**

- (a) **Storage**
- (b) **Secretarial office**
- (c) **Tea kitchen**
- (d) **Worker's room**
- (e) **Kiosk**
- (f) **Guardman's room**
- (g) **First aid room**

Facilities and space necessary for TPC are shown in Table 2.4.1.

Table 2.4.1 Estimates for Facilities and Spaces for TPC

Functions	Facilities		Space (m ²)
1. Management & Administration			660 - 885
	Office	<ul style="list-style-type: none"> • Chairman • Meeting room (2) • Office rooms (approx. 110 persons) • General affairs/planning & coordination • Economic & Trade Information • Trade Services • Business Training • Public Relations & Trade Fairs 	<p>25 - 35</p> <p>35 - 50</p> <p>600 - 800</p>
2. Information			930 - 1,050
	A. Information Network		180 - 200
	B. Economic Trade Information Centre		750 - 850
3. Trade Enquiries			90 - 120
	Trade Consultation	<ul style="list-style-type: none"> • Consultation corner • Reception room for trade mission (30-35 persons) 	<p>20 - 30</p> <p>70 - 90</p>
4. Public Relation and Exhibition			3,225- 3,650
	A. Event Hall	<ul style="list-style-type: none"> • 1m x 1m x 60 ~ 100 booths • Circulation 	<p>60 - 100</p> <p>30 - 50</p>
	B. Permanent Exhibition Hall with the spot sale corner		3,000 - 3,300
	C. International Business Lounge	<ul style="list-style-type: none"> Business meeting corner Meeting rooms (2-3) 	<p>100 - 150</p> <p>35 - 50</p>
5. Trade Training			430 - 550
	A. Training Room	3 rooms (25-30 persons)	130 - 180
	B. Seminar Lecture Conference	150 persons	250 - 300
	C. Instructor's Office	3 rooms	50 - 70

Functions	Facilities	Space (m ²)
6. Others		1,160 - 1,590
	A. Branch Offices of Organisations	<ul style="list-style-type: none"> • MOF 35 - 45 • MOC 35 - 45 • Central Bank 35 - 45 • Customs 35 - 45 • KNCC&I 35 - 45 • KAM 35 - 45
	B. Dining Room	<ul style="list-style-type: none"> • Main dining 350 - 400 • Cafeteria 80 - 100 • Kitchen 130 - 160
	C. Auxiliary Facilities	<ul style="list-style-type: none"> • Storage for exhibition 200 - 400 • Secretarial office (2-3 rooms) 50 - 70 • Tea kitchen 30 - 40 • Worker's room 50 - 60 • Kiosk 15 - 25 • Guardman's room 15 - 25 • First aid room 30 - 40
Sub-Total		6,495 - 7,845
5. Space for Circulation & Supporting Facilities	(20% - 25% of total space)	1,620 - 1,960
Total		8,115 - 9,805

(7) Outdoor Exhibition: 800 m² - 1,000 m²

(8) Parking Area: 12,000 m² - 18,000 m²

It is essential to have a carpark which is large enough to accommodate visitors' cars in the event of an exhibition. Carpark for the scale of 400 - 600 cars is desirable.

(9) Required Land Area

Necessary area for the facilities stated above, depending on structural type, and in addition, taking into consideration garden space, etc., is between 2.5 ha and 3.5 ha.

2.4.2 Construction Condition

(1) Site Location

At present there are four candidate sites for TPC. Site No. 1 is on the way to Jomo Kenyatta airport, and the other three sites are located within the city of Nairobi. (Refer to Fig. 2.3.1)

The area of site No. 1 is 8 ha, and owned by KNCC & I. The site has been registered for an exhibition purpose at the physical planning department of the Land Office. Site No. 1 was surveyed by the Study Team.

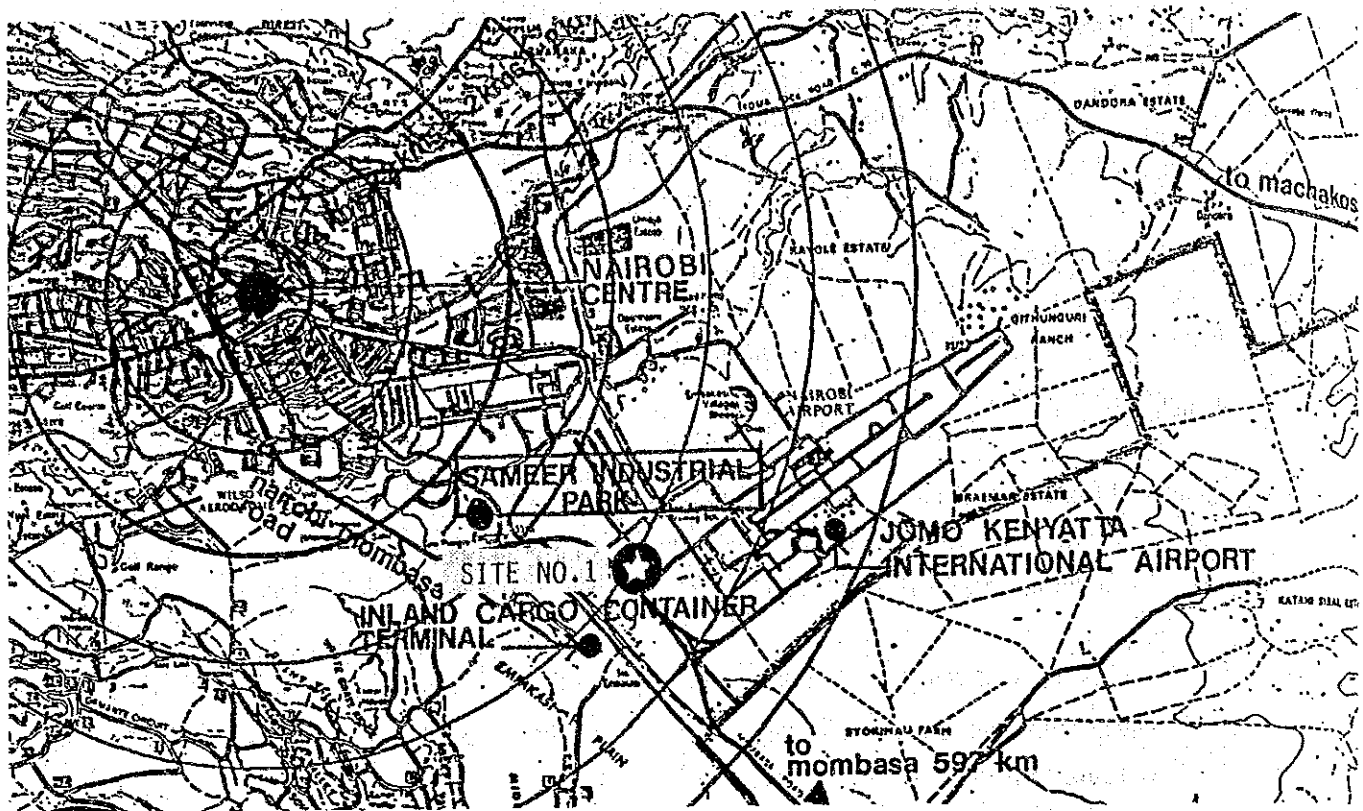
Location of the other three sites are:

Site No. 2	Westlands
Site No. 3	Nairobi South 'C'
Site No. 4	Hurlingham

However, no specific plot is available for these three sites at present. Accordingly only general comments can be made, i.e., these three sites are advantageous in terms of their proximity to the City centre of Nairobi, but difficulty may arise in securing a large scale carpark in these sites.

(2) Development Plan of the surrounding area

Regarding candidate site No. 1, the future development of the surrounding area has been studied. Site No. 1 is situated at the junction of Mombasa road and Airport road, at the turn off to the air-freight section at Jomo Kenyatta Airport. At present there is very little development in the surrounding area. Most of the area is vacant. However, many future developments are planned according to the physical planning department of the Land office.



(Source : KNCC & I)

Fig. 2.4.1 Proposed Site for TPC

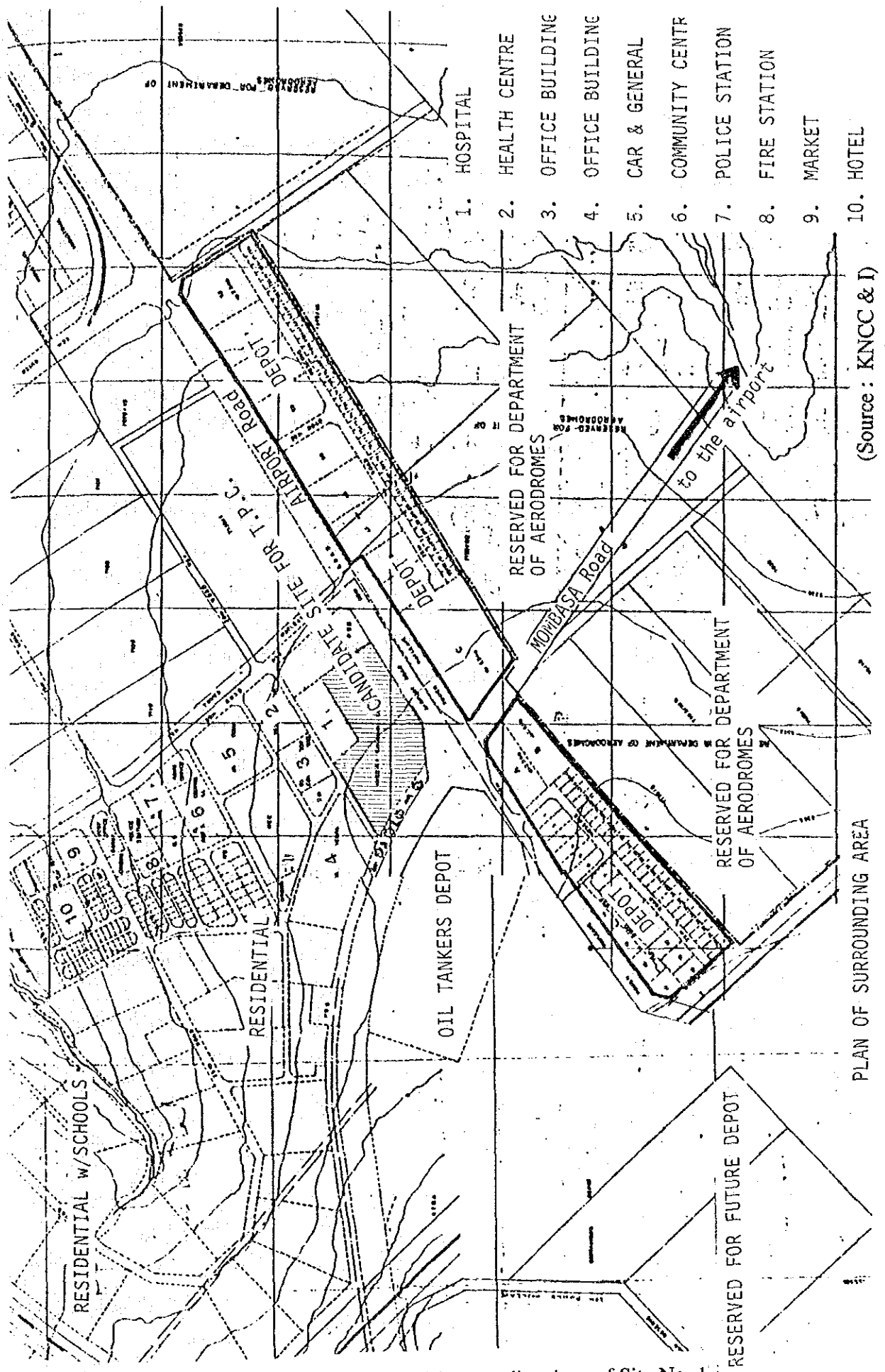


Fig. 2.4.2 Development Plan of Surrounding Area of Site No. 1

In general the northern part of the site is mainly planned for residential use including hospital, community centre, schools, market, police station and etc., while the southern part of the site is planned for industrial use. Fig. 2.3.2 shows the future development plan of the surrounding area.

2.4.3 Estimate of Construction Cost

Estimates of construction cost and assumed conditions are as follows.

(1) Assumed Conditions of Estimate

1) Construction Cost

Construction cost was estimated depending on the documents shown below:

- a) Current Construction Cost by Ministry of Public Works (Sept. 1990)
- b) Construction Cost by Local Engineering Consultant
- c) Construction Cost by Local Contractor
- d) Construction Cost by I.P.C.

(2) Estimate of unit Construction Cost

1) Unit Construction Cost

A unit construction cost was estimated applying the itemized unit costs obtained from said documents.

The results of estimation were summed up as follows:

Architecture		14,000	Ksh/m ²
Mechanical		4,000	"
Electrical		2,000	"
<hr/>			
A: Sub Total		20,000	Ksh/m ²
Contingency	5%	1,000	"
O. H. and profit	15%	3,000	"
<hr/>			
B: Sub Total		4,000	Ksh/m ²
<hr/>			
Total (A + B)		24,000	Ksh/m ²

However, taking into consideration cost inflation depending on contract with contractor(s) and type of the contract, unit construction cost is proposed to be approx. Ksh 36,000/m².

2) Estimate of Construction Cost

The minimum estimate of the total construction cost is approx. Ksh 292 million based on the required minimum area of facilities multiplied by the above unit cost, however a budget of approx. Ksh 353 millions is recommended taking into consideration an area larger than the minimum.

2.4.4 Estimate of Trade Activity Expenditure for TPO and Operation Cost for TPC

(1) Estimate of Salaries and Wages

Trade activity expenditure and operation cost for TPC are separately estimated after and before completion of TPC based on the constant price at the year 1991.

1) Number of Staff

Required staff for operation of TPC consisting of mainly six sections are as follows:

	TPO	TPC
(a) Officers	: 115 persons	120 persons
(b) Secretaries, Typists, Drivers, etc.	: 30 persons	30 persons
Total	: 145 persons	150 persons

2) Estimate of Salaries and Wages

Required annual salaries and wages are estimated as follows.

(a) TPO

a) Officers:

Ksh 13,000/man. month x 12 months x 20 persons
= Ksh 3,120,000

b) Assistants officers:

Ksh 10,000/man. month x 12 months x 45 persons
= Ksh 5,400,000

c) Secretaries, etc.:

Ksh 7,000/man. month x 12 months x 80 persons
= Ksh 6,720,000

(b) TPC

a) Officers:

Ksh 13,000/man. month x 12 months x 20 persons
= Ksh 3,120,000

b) Assistants officers:

Ksh 10,000/man. month x 12 months x 50 persons
= Ksh 6,000,000

c) Secretaries, etc.:

Ksh 7,000/man. month x 12 months x 80 persons
= Ksh 6,720,000

(2) Estimate of Expenditures for Information System

Expenditures for information system are estimated as follows.

1) Collection of data

- (a) Trade and economic information (international organisation, regions and countries).
- (b) Specific information (directories, products information periodicals)

Total : Ksh 400,000

2) Economic and trade research

- (a) Market research (international economic and trade trends, Africa and Middle East, Asia and Oceania, Europe and America, USSR and Eastern Europe).
- (b) Commodity research (traditional export products, non-traditional export products)

Total: Ksh 2,840,000

3) Information services

- (a) Selective dissemination of information (open seminars for commodities and markets, report sessions on the situation)
- (b) Publication (Trade News, Kenya Export News)

Total : Ksh 895,000

(3) Estimate of Expenditures for Trade Activities

Expenditures for trade activities based on their contents are estimated as follows.

1) Trade enquiry

- (a) Publishing of enquiry news
- (b) Publishing of trade directory (compiling and airmail costs)
- (c) Preparation of general catalogue for export commodities
- (d) Remunerations for consulting activities by external experts

Total: Ksh 2,030,000

2) Trade consultation service

- (a) Dispatching missions (officials' travel expenses, expenses for official events, public relation's expenses, a part of travel expenses for participants, etc.)
- (b) Receiving missions (expenses for business negotiations, receptions, etc.)
- (c) Expenses for seminars, lectures, market reportings, etc.

Total: Ksh 7,500,000

3) Improving the quality of export products

- (a) Collection of overseas samples
- (b) Collection of overseas catalogues

Total: Ksh 1,350,000

4) Trade training activities

- (a) Remunerations for lecturers (trade practices, export marketing, staff training, training for quality improvement)
- (b) Preparation of teaching materials (ditto)

Total: Ksh 1,700,000

5) Participation in overseas exhibitions and trade fairs

- (a) Space fee (advanced and PTA countries)
- (b) Travel expenses (dispatching staff)
- (c) Advertisement
- (d) Setting up booths and others

Total: Ksh 9,080,000

6) Holding trade fairs in Kenya

Total: Ksh 2,340,000

7) Public relations activities

- (a) Public relations materials of Kenya's export industry (publishing and airmail expenses)
- (b) Pamphlets for specific industry (ditto)
- (c) Advertisement

Total: Ksh 5,690,000

(4) General Administration Expenses

General administration expenses are operating expenses as indirect expenses for trade activities.

1) Operating expenditure

- (a) Management and administration expenses

Management and administration cost is assumed to be Ksh 160,000 /month referring to the performance records of KETA, KNCC & I,

KIBT and KICC. Major expenses are consisting of the following items.

- Stationery and printing
- Postage and telephone
- Legal fee
- Travelling
- Seminars
- Motor vehicle expense, etc.

(b) Utilities expenses

Annual expenses for utilities such as lighting, and water are assumed to be Ksh 20 /m².

(c) Maintenance and repairs expenses

Annual maintenance and repairs expenses for maintenance of TPC are summed up at 1.5% of mechanical and electrical works cost.

(5) Estimate of Revenue

Estimate of revenue for TPO and TPC is also based on the performance records of KNCC & I, KIBT, KICC and Sarit Centre. Revenue items are as follows.

1) Revenue from TPO activities

(a) Trade training:

300 trainees x Ksh 2,000 = Ksh 600,000

(b) Overseas trade fair:

6 times x 10 firms x Ksh 15,000 = Ksh 900,000

(c) Seminars, etc.:

24 times x 30 participants x Ksh 100 = Ksh 72,000

(d) Publications, etc.:

Ksh 380,000

(Sales : Ksh 500 x 500 copies = Ksh 250,000)
(Advertisement fee : Ksh 130,000)

2) Revenue from TPC operations

- (a) permanent exhibition:
100 booths x Ksh 5,000 p.a. = Ksh 500,000
- (b) Domestic trade fair:
3 x Ksh 750,000 = Ksh 2,250,000
- (c) Others: Conference hall, tenant, etc.
Ksh 298,000

(6) Estimate of Annual Expenditure and Revenue

Annual revenue and expenditure for TPO and TPC is estimated on the basis of the preconditions stated above and KETA annual budget (Development and Recurrent Net Budget for FY 1990/91) to be appropriated as upto now (Refer to Table 2.4.2).

As a conclusion of the estimate, the balance of revenue and expenditure is to be approx. Ksh 28.3 million in the stage of TPO and approx. Ksh 27.2 million in the stage of TPC as shortage of budget.

(7) Study of Operational Fund Resources

Possible measures to overcome annual shortage are assumed as follows.

1) National Budget

Required annual expense equivalent to shortage will be borne by national treasury

2) Establishment of Trade Promotion Fund

Trade promotion fund contributed from public and private sectors is to be established and TPO and TPC will be constantly operated by the bank interest of the deposits.

2.4.5 Implementation Schedule of TPC

The implementation schedule of TPC is shown in Table 2.4.3.

Table 2.4.2 Estimates of Annual Expenditures and Revenues for TPO and TPC
(Constant Price at 1991)

(Unit: Ksh 000)			
Items	TPO	TPC	Remarks
A. Expenditures	51,457	53,385	
1) Salaries and Wages	15,240	15,840	Refer to Item 2.4.4(1)
a) Offices	3,120	3,120	
b) Assistants officers	5,400	6,000	
c) Secretaries, etc.	6,720	6,720	
2) Expenditures for information system	4,135	4,135	Refer to Item 2.4.4(2)
a) Collection of data	400	400	
b) Economic and Trade Research	2,840	2,840	
c) Information Services	895	895	
3) Expenditures for Trade Activities	29,690	29,690	Refer to Item 2.4.4(3)
a) Enquiry Information Service	2,030	2,030	
b) Trade Consultation Service	7,500	7,500	
c) Improvement of Quality for Export products	1,350	1,350	
d) Trade Training Activities	1,700	1,700	
e) Participation in Overseas Exhibitions and Trade Fairs	9,080	9,080	
f) Holding Domestic Trade Fairs	2,340	2,340	
g) Public Relations	5,690	5,690	
4) Operating Expenditure	2,392	3,720	Refer to Item 2.4.4(4)
a) Management and Administration Expenses	1,920	1,920	
b) Utilities Expenses	200	200	
c) Maintenance and Repairs Expenses	272	1,600	
B. Revenues	1,952	5,000	
a) Trade Training Activities	600	600	Refer to Item 2.4.4(5)
b) Overseas Trade Fair	900	900	
c) Lectures, etc.	72	72	
d) Publications, etc.	380	380	
e) Permanent Exhibition	-	500	
f) Domestic Trade Fair	-	2,250	
g) Others (conference hall, tenant, etc.)	-	298	
C. Total (B - A)	-49,505	-48,385	
D. KETA Budget	21,159	21,159	Net budget
E. Grand Total	-28,346	-27,226	

Table 2.4.3 Action Programme for TPC

	1st Stage	2nd Stage	3rd Stage	4th Stage	5th Stage
	Preparation	Basic Planning	Detailed Design	Construction	Administration Operation
1. Implementing Organisation	T.P.O. (KETA)	T.P.O. (KETA)	T.P.O. (KETA)	T.P.O. (KETA)	T.P.C
2. Time (Period) of Implementation	(Approx. 1 year) 1st year	(Approx. 1 year) 2nd year	(Approx. 1 year) 3rd year	(Approx. 2 years) 4th & 5th year	
3. Location	Nairobi	Nairobi	Nairobi	Nairobi	Nairobi
4. Financial Resource	Government of Kenya (GOK)	GOK, Foreign or International Organisation, if necessary	GOK, Foreign or International Organisation, if necessary	GOK, Foreign or International Organisation, if necessary	TPC or Supporting Organisation, if necessary
5. Activities	1) Selection and Acquired Land for T.P.C.	1) Selection of Consultant 2) Preparation of Basic Planning	1) Preparation of Detailed Design 2) Tendering for Construction 3) Selection of Construction Company	1) Construction of T.P.C. Facility 2) Completion of Operating Organisation	1) Management and Administration 2) Collection and Service of Information 3) Training 4) Exhibition
6. Action Required	1) Establish General Concept for T.P.C. Construction 2) Take necessary Actions	1) Employ Foreign Consultant, if necessary	1) Employ Foreign Consultant, if necessary	1) Construct T.P.C. Facility by Contractor 2) Establish Operational Fund for T.P.C. and Selection of Staff	1) Operation of T.P.C. in cooperation with Foreign Experts, if necessary

CHAPTER 3 ACTION PROGRAMMES FOR INFORMATION SYSTEM

3.1 Systematisation of Data and Information Collection

Systematisation of information collection is necessary to ensure both the precision and timeliness of economic and trade information of Kenya and foreign countries. It is necessary to set up systematised data section in the new TPO and take the following measures.

3.1.1 Establishment and Management of Data Collection Committee (Tentative Name)

A data collection committee composed of people actually engaged in trade, trade and economic policy-makers and experts in Kenya and, if possible, specialists related to trade promotion in foreign countries should be organised to draw up a policy on the collection of data and information to satisfy needs inside and outside of the country.

- (1) In the first stage, the basic policy should be formulated. In formulating the basic policy, emphasis should be placed on coordinated collection activities in the short, medium and long term, classified by market and subject.
- (2) In the second stage, basic data should be collected. In the collection of basic data, emphasis should be placed on the collection of directories and data related to trade, production and marketing directly useful for the promotion of exports to main customer countries.
- (3) In a collection plan for each fiscal year, consideration should be paid that all of the traditional export products, new export products and potential export products are covered.

3.1.2 Organisations, Regions and Countries Targeted for Collection

- (1) **International Organisations:** Emphasis should be placed on systems, laws, statutes, treaties & agreement, statistics and annual reports.

- 1) **United Nations**

- Economic and Social Council (ECOSOC)

- United Nations Conference on Trade and Development (UNCTAD)
- 2) Specialised Agencies of the United Nations
- International Monetary Fund (IMF)
 - World Bank (IBRD, IDA and IFC)
 - General Agreement on Tariffs and Trade (GATT)
 - Food and Agricultural Organisation of the United Nations (FAO)
 - United Nations Industrial Development Organisation (UNIDO), etc.
- 3) Regional Organisations
- Lome Convention; European Community (EC) --- the African, Caribbean and Pacific (ACP)
 - United Nations Economic Commission on Africa (ECA)
 - Organisation for Economic Cooperation and Development (OECD)
 - Bank for International Settlements (BIS)
 - International Chamber of Commerce (ICC)
 - World Trade Centre Association (WTCA), etc.
- (2) Regions and Countries: Emphasis should be placed on systems, laws, statutes, treaties & agreements, directories, tariff schedules, statistics, marketing reports and economic reports.
- 1) Africa
- Organisation for African Unity (OAU)
 - Preferential Trade Area for East and Southern African States (PTA)
 - African Development Bank (AfDB)
 - African Development Fund (AfDF)
 - Other regional organisations
 - Individual Countries
- 2) Asia and Oceania
- Association of South-East Asian Nations (ASEAN)
 - Asian Newly Industrialised Economies (Asian NIEs)
 - Asian Development Bank (AsDB)

- Other regional organisations
 - Individual Countries
- 3) Middle East
- Arab League
 - Arab fund for Economic and Social Development (AFESD)
 - Arab Monetary Fund (AMF)
 - Other regional organisations
 - Individual Countries
- 4) Europe
- European Community (EC)
 - European Development Fund (EDF)
 - Other regional organisations
 - Individual Countries
- 5) North and South America
- Organisation of American States (OAS)
 - Sistema Economico Latino-Americano (SELA)
 - Latin American Free Trade Association (LAFTA)
 - Other regional organisations
 - Individual Countries
- 6) Soviet Union and Eastern Europe
- Individual Countries

3.1.3 Data and Information to be Collected and Classified by Subjects

(1) General Information

1) General

- Laws, Statutes, Treaties and Agreements
- International Situation

- Reference Books
 - Foreign Trade Practices, Procedures
- 2) Economy
- Economic Conditions and National Accounting
 - Public Finance, Taxation, Economic Policy and Economic Development
 - Finance, Banks and Insurance
 - Consumption, Living Conditions, Prices and Wages
- 3) Industry
- Industrial Policies, Industrial Situation and Structure
 - Production of Individual Types of Industry
 - Location of Industry and Industrial Complexes
 - Industrial Standards, Food Standards and Safety Standards
 - Industrial Design, Industrial Technology and Industrial Property
- 4) Infrastructure
- Transport and Communications (Systems, Laws and Regulations, Ports and Marine Transport, Land Transport and Air Transport)
 - Construction
 - Energy
- 5) Foreign Trade
- Foreign Trade Structure, Foreign Trade Classified by Country and Commodity
 - Foreign Trade Policies and Regulations, Trade and Monetary Agreements, Treaties
 - Foreign Trade Promotion Measures
 - Foreign Trends in International Commodities
 - Foreign Trade Finance
 - Customs Duty and Tariff Schedules
 - Free Trade Zones, Export Processing Zone
 - Export Insurance, Export Inspection and Foreign Exchange
 - Foreign Trade Procedures, Claims and Arbitration

6) Commerce and Marketing

- Industrial Marketing
- Market Research Reports
- Pricing Policy
- Trends in Demand and Consumption
- Distribution System, Agents, Wholesaling and Retailing
- Quality Control, Design, Packaging and Labelling, Advertising and Public Relations
- Warehouses

(2) Specific Information

1) Directories, Facsimile and Telephone Directories

Classified by Countries and Industries

2) Product Information

- Periodicals Classified According to Type of Industry and Product
- Catalogues and Price Lists
- Samples

3) Company Information

- Annual Reports and Company Profiles

4) Trade Enquiries

- Classified According to Type of Industry, Product, Country and Company

3.1.4 Method of Collection

(1) Foreign Data and Information

1) Collection within the country

Requests for the most up-dated data catalogue should be made to international organisations, embassies and other diplomatic offices of foreign nations, and trade promotion organisations of foreign countries in Nairobi. At the same time, requests should be made for the donation of necessary economic and trade data.

As for pay publications, orders should be placed at local book stores or agents or publishers in foreign countries after consideration by the data collection committee.

2) Collection outside the country

Kenya's diplomatic representation in foreign countries should collect tariff schedules, directories, marketing research reports and other important statistical data not for sale, government publications and data on legislation. They should also make efforts to obtain free materials published by economic and industry organisations.

(2) Domestic Data and Information

1) General information

Basic data and information about Kenya's economy, industry, trade and distribution should be collected and up-dated every year.

2) Specific information

All the directories published in Kenya should be collected. Information about products and firms should be collected through the full cooperation of the KNCC&I, the KAM, and the Industry and Commerce Development Corporation, as well as export-related firms.

In particular, catalogues carrying product names, usage, raw materials and prices should be collected as the latest product information on Kenya for foreign buyers.

3.1.5 Classification and Management of Data and Information

- (1) A library specialising in economy and trade should appropriately classify (make a card catalogue), arrange and file the collected data and information. Specialist librarians should be hired for the smooth and quick furnishing of materials as well as filing and selecting the data and information on a daily basis.

Concerning classification, the materials should be divided into the following six categories: 1) Books, 2) Reference books, 3) Directories, 4) Statistics, 5) Magazines and Newspapers, and 6) Tariff schedules.

Based on the characteristics of each group, the materials should then be further broken down according to the main subjects for each region or country.

- (2) Management of the data involves daily task of revising, filing, arranging card catalogues, making labels and replacing data. Priority should be given to increase the number of personnel to match the increase in the volume of data.
- (3) With regard to specific information, the offices of the trade services department should manage the data and information to provide to foreign buyers.

3.2 Expansion and Improvement of Research Function

Research on overseas markets and commodities for export expansion should be strengthened simultaneously with the systematisation of data and information collection stated in the previous paragraph.

As a means of expanding and improving research, it can be suggested that the researchers work in a same room rather than in their own rooms. A research done by a number of persons would enable more effective organised analysis.

3.2.1 Expansion and Improvement of Economic and Trade Research Sector

An economic and trade research sector should be made up of experts who have studied the trends of foreign markets and products, administrative officials in charge of economic and trade matters; and persons who have had first-hand experience in trade business. A market section and an industry & commodity section should be set up within the division, with the former mainly keeping up-to-date with the internationalisation of the economy and the trends in export markets, and the latter specialising in the analysis of demand and supply and the upgrading of products. Both sections should work to make available to exporters the results of their research.

(1) Main Subjects and Methods of the Market Research Section

1) Subjects of research

(a) Analysis of international economy and foreign trade trends

- Influence of worldwide changes, international conflicts and wars on Kenya.
- Economic and foreign trade systems and policies of international and regional organisations.

(b) Analysis of markets in Africa and the Middle East

- Economic and foreign trade systems and policies and trends in trade for each regional organisation (in particular, the PTA and SADCC).
- Current situation and future outlook regarding industrialisation through import substitution in Kenya's neighboring countries and export-oriented industrialisation.
- Economic situation of individual countries
Progress of restructuring plans, trends in industry and the current situation and future outlook regarding development plans (transportation and communications, in particular).

- Foreign trade situation of individual countries
 - Trends of exports and imports classified by countries, outline of foreign trade classified by country and commodity, trade policies, distribution, the current situation of trade with Kenya, any possible obstacles to expanding trade with Kenya and ways of overcoming them.
- (c) Analysis of markets in Asia and Oceania
- Current situation and future outlook regarding common trade policies of ASEAN and Asian NIEs.
 - Economic situation of individual countries
 - Trends in supply and demand classified by type of industry, encouraging export industries and export processing zone, the current situation and future outlook regarding export-oriented industrialisation and the company behavior in main industries.
 - The foreign trade situation of individual countries
 - Outline of foreign trade classified by country and commodity, export promotion measures (history, current situation and future outlook), the current situation of trade with Kenya, any possible obstacles to expanding trade with Kenya and ways of overcoming them.
 - Current situation and future outlook regarding Japan's import promotion of products produced in developing countries.
- (d) Analysis of markets in Europe and America
- The Lome Convention between the EC and the ACP and its implementation.
 - Progress of EC market integration and its effects on Kenya.
 - Common foreign trade policies of regional organisations

- Economic situation of individual countries
Demand and supply trends classified by types of industry, external economic policy, industrial cooperation with developing nations (economic cooperation and investment trends), situation of distribution and consumer behavior.

- Foreign trade situation of individual countries
Outline of foreign trade classified by country and commodity, foreign trade policy aimed at developing countries, any possible obstacles to expanding trade with Kenya and ways of overcoming them.

(e) Analysis of markets in the Soviet Union and Eastern Europe

- Effects of structural changes in the Soviet Union and Eastern Europe on African and Kenya's economy.

- Economic and foreign trade situation of foreign countries
Outline of foreign trade classified by country and commodity, foreign trade policy toward developing countries, any possible obstacles to expanding trade with Kenya and ways of overcoming them.

2) Methods of research

(a) International situation

It is necessary to analyse the news obtained from newspapers, magazines, TV and various kinds of reports. A joint analysis should be made by experts in the fields of international politics, the economy and foreign trade.

(b) International organisations

Close ties should be maintained with participants in trade-related conferences held in Kenya, with an emphasis to be placed on the analysis of original materials.

(c) **Regional and country-by-country trends**

- Desk surveys should be carried out on a daily basis based on materials and information provided by experts in the economies and industries of the specified countries/regions.
- Information should be obtained from foreign embassies and foreign trade promotion organisations located in Nairobi.
- Local reports concerning economic, foreign trade and political movements should be obtained each month from Kenya's commercial attaches stationed abroad.
- Local on-the-spot surveys should be conducted as necessary by the supervisors of the market research section.
- In the medium and long term, existing data should be used to create a data base classified according to country and subject.

(2) **Main Subjects and Methods of the Industry and Commodity Research Section**

1) **Subjects of research**

(a) **Analysis of trends of traditional export products**

- Trends in international commodity markets
- Situation regarding competition with Kenya's products
Products made by Asian NIEs and industrialised countries in Africa (Zimbabwe, Nigeria, Côte d'Ivoire, etc.)
- Potential for creating new markets for Kenya's strategic products (classified by primary products, semi-finished goods and industrial products)

- (b) Analysis of trends of non-traditional export products
 - Marketing research into promising export products (classified by primary products, semi-finished goods and industrial products)
- (c) Subjects for marketing research
 - Needs of consumers and potential consumers in specified country
 - Distribution system and sales promotion
 - Market shares
 - Prices, quality and delivery schedules

2) Methods of research

- (a) Experts in the specified product area, others with extensive knowledge of the specified market, and product research section supervisors should analyse information published by the International Trade Centre (ITC) and industry associations throughout the world and prepare reports summarising their findings.
- (b) Information obtained from foreign embassies and foreign trade promotion organisations in Nairobi should be analysed and the results summarised in reports.
- (c) Kenya's commercial attaches stationed around the world should conduct local surveys.
- (d) When necessary, third-party market research organisations and companies should be hired to conduct surveys.

3.3 Expansion and Strengthening of Information Service

It is important for export promotion that information obtained by the data section and analysed by the research section be supplied accurately and promptly to Kenya's export-related enterprises. At the same time, it is also important to provide appropriate

data and information to both existing and potential importing countries of Kenya's products. At the first-stage, task of the information service section, therefore, should make preparations for carrying out the following activities --- 1) the provision of data and information; and 2) the publication of magazines and books related to the economy and trade. In order to provide information, it is necessary to maintain cooperation among the research section, public relations and trade fails department and trade service department.

3.3.1 Provision of Data and Information

(1) Reference Service

- 1) Provision of data and information concerning the economy and foreign trade classified by markets (regions and countries)

Initially, the service should start with a staff of two persons, one in charge of the markets of advanced countries and the other in charge of the markets of developing countries. It is desirable to add five more reference staff members within two years, one each in charge of international organisations, Africa and the Middle East, Asia and Oceania, Europe and America, and the Soviet Union and Eastern Europe, respectively.

- 2) Provision of data and information classified by commodity

Initially, the service should start with two reference staff members, or one each for traditional and non-traditional export products, respectively. Staff numbers should be increased as exports expand.

(2) Library Service

- 1) Service for general users

A system should be created for the active and effective utilisation of collected and classified data by firms, traders and users. For this purpose, a corner should be set up for reading in the library of the trade promotion organisation.

Copying service is necessary. Users should pay for the copying service.

2) Utilization by government officials and TPO's staff

A material lending system should be set up for officials of ministries, government agencies and TPO, for the effective utilization of the collected data.

The maximum lending period should be fixed according to the categories of the materials. An appropriate system for lending materials should be established to facilitate prompt responses to requests for data by users.

Materials	Maximum lending period (in weeks)
Books and Reports	2
Statistics	1
Newspapers and Magazines	1

The lending of tariff schedules and directories should be banned in principle, and limited to library reading.

(3) Selective Dissemination of Information

1) Open seminars for commodities and markets

Results of trend analysis by the research section should be made public on a regular basis.

2) Seminars on the overseas situation

Economic and trade missions or diplomats (ambassadors, councilors, commercial attaches, etc.) dispatched overseas should actively report on the situation in the foreign countries upon return home.

The seminars mentioned above should be held in cooperation with the trade services department.

3.3.2 Strengthening of Publication Activities

(1) Regular publications

1) "Trade News"

"Trade News" should be published. This Trade News carries trade enquiries sent from various foreign countries to the trade services department. It should be issued bi-weekly at the initial stage, and subsequently should be issued weekly, and then daily.

2) "Kenya Export News"

For improving the contents of "Kenya Export News", results of studies and analyses made by the research section, and reports and articles on trade and other business for export promotion should be published in Kenya Export News immediately.

3) Yearly up-dating of directories

Up-dating of currently issued directories should be speeded up. Efforts should be made to carry out yearly up-dating at an early stage.

(2) Marketing Reports

Marketing research reports classified by product item should be published.

(3) Catalogues

Product catalogues should be issued for exhibitions, trade fairs and permanent exhibition hall.

In the future, mail order catalogues should be sent to foreign buyers.

3.4 Estimate of Expenditure for Information System

The annual expenditure estimate in 1992 for strengthening KETA's information system is shown in Table 3.4.1.

This figure is almost 0.5% of the budget allotted for JETRO's information system.

Table 3.4.1 Estimates of Annual Expenditure for Information System of KETA

	Ksh
1. Collection of Data	<u>400,000</u>
(1) Foreign Trade and Economic Information	<u>240,000</u>
1) International Organisation	<u>20,000</u>
2) Regions and Countries	<u>220,000</u>
Africa	40,000
Asia & Oceania	40,000
Middle East	30,000
Europe	50,000
North and South America	40,000
Soviet Union and Eastern Europe	20,000
(2) Specific Information	160,000
1) Directories	100,000
2) Products Information Periodicals	60,000

2. Economic and Foreign trade Research	<u>2,840,000</u>
(1) Market Research	<u>1,120,000</u>
1) International Economic and Foreign trade Trends	<u>100,000</u>
• Influence of worldwide changes on Kenya	50,000
• Economic and foreign trade systems and policies of international and regional organisations	50,000
2) Africa and Middle East	<u>270,000</u>
• Economic and foreign trade systems and policies and trends 12,000 x 10 = 120,000	120,000
• Current situation and future outlook regarding industrialisation in Kenya's neighboring countries 20,000 x 5 = 100,000	100,000
• Economic and foreign trade situation 10,000 x 5 = 50,000	50,000
3) Asia and Oceania	<u>340,000</u>
• Current situation regarding common foreign trade policies of ASEAM and Asian NIEs	50,000
• Economic and foreign trade situation 15,000 x 6 = 90,000	90,000
• Export promotion measures 40,000 x 5 = 200,000	200,000
• Current situation regarding Japan's import promotion of Kenya's products	Free

4)	Europe and America	<u>270,000</u>
	• Lome Convention and its implementation	10,000
	• Progress of EC market integration and its effects on Kenya	50,000
	• Common foreign trade policies of regional organisations	10,000
	• Economic and foreign trade situation	
	20,000 x 10 = 200,000	200,000
5)	USSR and Eastern Europe	<u>140,000</u>
	• Effects of structural changes	50,000
	• Economic and foreign trade situation	
	15,000 x 6 = 90,000	90,000
(2)	Industry and Commodity Research	<u>1,720,000</u>
1)	Traditional Export Products	<u>920,000</u>
	• Trends in international commodity markets	30,000
	• Situation regarding competition with Kenya's products	650,000
	Asian NIEs 100,000 x 5 = 500,000	500,000
	African Countries 50,000 x 3 = 150,000	150,000
	• Potential for creating new markets for Kenya's strategic products	
	30,000 x 2 x 4 = 240,000	240,000
2)	Non-traditional Export Products	<u>800,000</u>
	• Marketing research into promising export products	
	40,000 x 5 x 4 = 800,000	800,000

3. Information Services	895,000
(1) Selective Dissemination of Information	<u>55,000</u>
1) Open seminars fr commodities and markets 1,000 x 5 x 10 = 50,000	50,000
2) Report sessions on the situation overseas 1,000 x 5 = 5,000	5,000
(2) Publication	<u>840,000</u>
1) Foreign trade News (Enquiry Information) 20,000 x 12 = 240,000	240,000
2) Kenya Export News 50,000 x 12 = 600,000	600,000
Total	<u>4,135,000</u>

Outline of the activities	Detailed activities	First stage (1-2 years)	Second stage (3-5 years)	Third stage (5-years)
<p>[Collection and management of data and information] Expansion and strengthening of existing organisations Systematization of data collection and management</p> <p>Establishment (within TPO) of economic and trade data and information centre</p> <p>Operation of the economic and trade data and information centre</p>	<p>Expansion and improvement of library in KETA Establishment and operation of data collection committee</p> <p>Expansion and improvement of economic and trade data and information</p> <p>Establishment of data and information centre</p> <p>Transferring KETA's materials to the above centre</p> <p>Collection and management of data at the above centre</p>	<p>○</p> <p>○</p> <p>○</p> <p>○</p> <p>○</p>	<p>○</p> <p>○</p> <p>○</p> <p>○</p> <p>○</p>	<p>○</p> <p>○</p> <p>○</p> <p>○</p> <p>○</p>
<p>[Expansion and strengthening of research function] Preparation for economic and trade research Strengthening research classified by regions and countries</p> <p>Strengthening research of export products</p>	<p>Establishment of economic and trade research department</p> <p>Trend research of international economy and trade regions and countries</p> <p>Case study of countries successful in export promotion</p> <p>Trend research of traditional export products</p> <p>Trend research of nontraditional export products</p>	<p>○</p> <p>○</p> <p>○</p> <p>○</p> <p>○</p> <p>○</p>	<p>○</p> <p>○</p> <p>○</p> <p>○</p> <p>○</p> <p>○</p>	<p>○</p> <p>○</p> <p>○</p> <p>○</p> <p>○</p> <p>○</p>
<p>[Expanding and strengthening of information service] Expanding information service system Providing data and information</p> <p>Strengthening publishing activities</p>	<p>Establishing lending system of materials</p> <p>Reference service</p> <p>Library service</p> <p>Selective dissemination of information</p> <p>Expansion and improvement of regular publications</p> <p>Publishing of marketing reports</p> <p>Publishing of catalogue</p>	<p>○</p> <p>○</p> <p>○</p> <p>○</p> <p>○</p> <p>○</p>	<p>○</p> <p>○</p> <p>○</p> <p>○</p> <p>○</p> <p>○</p>	<p>○</p> <p>○</p> <p>○</p> <p>○</p> <p>○</p> <p>○</p>

Fig. 3.3.1 Development of Action Programme of Information System

CHAPTER 4 ACTION PROGRAMMES FOR TRADE CONSULTATION SERVICES, TRADE TRAINING AND PUBLIC RELATIONS AND EXHIBITION ACTIVITIES

4.1 Expansion of Trade Consultation Services and Speeding-up of Trade Procedures

Trade enquiries obtained through participating in trade fairs, dispatch of missions and other export promotion activities within and outside Kenya, or directly from foreign countries should be forwarded promptly to Kenya's companies interested in exports. The functions of the trade promotion organisation should be strengthened and its trade consultation activities should provide appropriate advice or guidance to exporters.

4.1.1 Expansion and Improvement of Trade Consultation Service System

(1) Organising export-related data (First phase)

Trade enquiries received from abroad should be handled in a timely and appropriate manner, and export-related information should be put in order continuously and systematically in order to support export business.

1) Registration of firms interested in exports

A system of registering those firms interested in exports should be introduced. For exporter registration form, please refer to the Appendix VII. Commercial attaches should be much more involved with collecting information concerning importers and potential importers of Kenya's products.

Furthermore, information on export products, including quality and supply capacity for products with export potential and catalogues and price lists for export products should be prepared.

2) Compilation of trade directory

A trade directory listing exporters and potential exporters should be published.

It is recommended that this trade directory include the useful information needed for actual transactions, such as outline of exportable products, the markets to which exporters want to export. This directory should also include an advertising column. Revenue from this advertising column can be used for compiling and mailing the directory.

Approximately 3,000 copies of the directory should be printed for free distribution to trade promotion organisations all over the world and international economic organisations in the main target countries. The directory can be sold by a major distributor of publications.

The directory would include the following information:

1) company name; 2) address; 3) telex/facsimile number; 4) cable address; 5) line of business; 6) type of business; 7) capital; 8) year of establishment; 9) annual sales; 10) number of employees; 11) trade name(s) 12) reference bank; 13) description of export products; and 14) countries/regions to which they want to export.

(2) Expansion of the Trade Enquiry Information Services (Second phase)

1) Publicizing trade enquiries

Trade enquiries from foreign buyers and Kenya's manufacturers should be published periodically in Trade News, circulating widely among trade-related business community in Kenya and other countries. The listings should include both the main feature of the product and the name of a representative to contact.

2) Publishing of export product catalogue

A comprehensive catalogue carrying the main feature and photographs of promising export products together with the names of their sales representatives should be published periodically for distribution to commercial attaches posted at Kenya's embassies abroad as well as to trade promotion organisations around the world and prospective importers at international trade fairs which Kenya participates in.

Collecting fee from those companies appearing in the catalogue should also be considered.

In the future, publishing catalogues by industry and mail order catalogues should also be planned.

3) Setting up communications network

Trade enquiries concerning promising export items received through Kenya's embassies abroad, etc. should be forwarded to Kenya's exporters in a timely and appropriate manner, and practical support given to export transactions. To this end, a communications network system consisting of telephones, facsimiles, etc. should be completed as soon as possible to establish better links among TPO, Kenya's embassies abroad, Ministry of Commerce district trade offices (DTO) and KNCC&I. By allowing the mutual confirmation of price, quantity, quality, design, delivery time and other factors, such a network will provide the basis for a trade enquiry processing system offering support for export business.

As a medium-term goal, a computer system should be introduced for the efficient management and supply of trade enquiry information, including information on importers, exporters, products and companies.

(3) Proper System for Handling Trade Enquiries

1) Proper system for handling trade enquiries (First phase)

For handling trade enquiries, a proper system should be set up. When a promising trade enquiry is received from foreign buyers or Kenya's embassies abroad, right firms will be contacted to find whether they can meet the order, and their reply will be sent immediately to the enquirer.

Depending on the exporter's experience, consultation service will be offered to the exporters in order to help them negotiate business and conclude contracts.

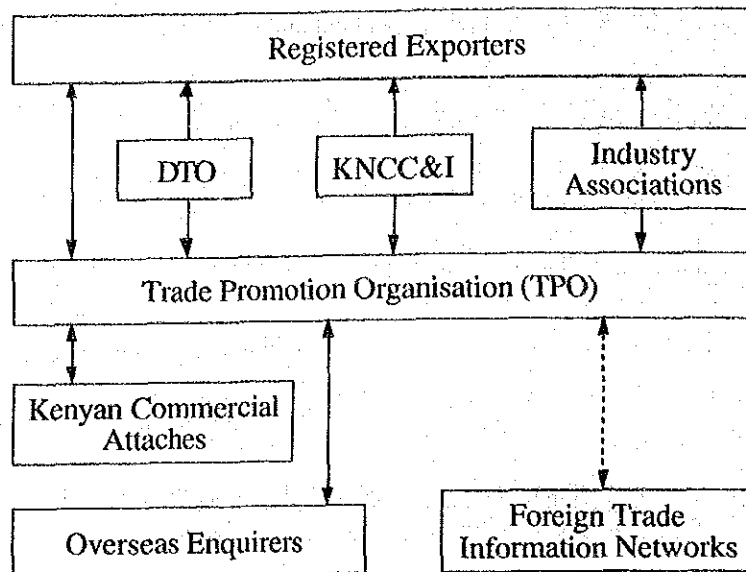


Fig. 4.1.1 Trade Enquiry Handling System

- 2) Upgrading trade enquiry services by commercial attaches posted abroad (First phase)

Services relating to the trade enquiry functions of commercial attaches posted abroad should be improved in order to collect more trade enquiries. In order to realise this, the following should be considered: i) training for commercial attaches in practical trade businesses, ii) posting commercial attaches in the major exporting countries, and iii) appointment of businessmen with experience in the private sector to commercial attaches in the future.

- 3) Implementation of credit references (Second phase)

A system of investigating the credit standing of foreign customers on behalf of the interested parties should be introduced. This system should be operated on consignment from exporters and contracts be concluded with a global credit investigation company such as Dun & Bradstreet. The expense would be borne by the exporters. This credit references would be particularly necessary when an export insurance scheme is introduced in the future.

4) Participation in foreign trade information networks (Third phase)

When TPC is established, TPC should consider joining PTA's trade information service, ITC's trade information service network (TISNET), and WTCA's WTC network services in order to establish a global on-line system for the exchange of trade enquiries.

4.1.2 Speeding-up of Trade Procedures

(1) Advice on export procedures (First and Second phases)

In order to speed up export application procedures in Kenya, staff with thorough knowledge of export procedures should advise exporters on export application procedures, thereby contributing to smoother export transactions.

(2) Establishment of branch offices of trade-related organisations (Third phase)

Sub-branches of the MOF, the MOC, Central Bank and Customs etc. should be set up in the TPC in order to help accelerate the coordination of export and import applications thereby creating the basis of a system for faster processing of export application.

4.1.3 Strengthening Trade Consultation Services

(1) Setting up Trade Consultation Corner (First phase)

A consultation corner for trade should be set up in TPO, and experts well versed in trade businesses should be placed at that corner in order to give practical advices on trade-related matters such as market development, trade practices and buyer claims.

Copy service should be provided at the charge of about Ksh 10 per copy to assist users in their market research within the limits of the copyright law.

(2) Trade Consultations by Outside Experts (Second phase)

When necessary, the cooperation from market and industry experts of the research division should be obtained to respond promptly to trade enquiries. A

trade consultation day may be fixed once or twice a month, when an outside expert will advise on specific matters of trade.

(3) Visiting Consultations (Second phase)

For companies interested in exports in provincial towns such as Kisumu, Mombasa, Nakuru, Thika and Eldoret, trade consultations services should be organised periodically in cooperation with KNCC&I.

4.1.4 Sponsoring of Seminars on Foreign Markets

(1) Seminars on Foreign Markets

Seminars on the markets of specific countries and areas, product study meetings, and export promotion seminars should be planned and held to assist private companies in their efforts to develop export markets.

A linkage should be formed with KNCC&I to actively participate in regional trade promotion events and to plan marketing seminars on the trade consultation days mentioned above in export-producing regions as part of efforts to educate company managers.

The contents of the seminar recommended are as follows:

Target markets : Promising export markets for Kenya's products

Scope : Discussions on general economic and trade trends, developed countries' trade policies for developing countries, distribution channels, and general consumer trends in target markets, etc.

Instructors : Commercial attaches who came back to Kenya after being posted in foreign countries and visiting trade mission members can be instructors. Experts from foreign trade promotion organisations who are stationed in Kenya or visiting Kenya should be invited whenever possible.

(2) Trade Seminars

Global economic trends and government export promotion policies and programmes throughout the world should be covered.

Seminar subjects should include:

- EC market integration and its effects on Kenya's exports
- The impact of the structural changes in the Soviet Union and Eastern Europe on the Kenya's economy
- PTA systems and policies and regional trade promotion
- Utilisation of GSP programmes
- Utilisation of export promotion incentives such as Green Channel, the export compensation scheme and MUB
- Utilisation of export processing zones as a base for export promotion

(3) Market Development Committees for Strategic Export Products

Market development committees should be formed for specified strategic export products to conduct marketing surveys, develop products capable of competing in target markets, and study marketing strategies.

Members of these committees should be selected from manufacturers, industry associations, product experts, designers, and the staff of trade promotion organisations.

Specified strategic export products may be:

Textile, processed foodstuffs, metalworking, handicrafts, leather, and other light industries products.

4.1.5 Dispatch of Missions for the Development of Export Markets

In an effort to increase opportunities for export businesses, missions composed mainly of exporters should be dispatched for developing new markets in conjunction with participating in international trade fairs, if possible. The missions should hold business meetings with importers and sponsor social gatherings with industry associations and business leaders. They should also visit local factories.

Initially, five or six such missions a year should be dispatched in conjunction with participation in international trade fairs. The results of the missions' work should be widely informed to exporters through the seminars and the reports upon their return home.

The objective of the missions should be clarified as to whether it is sales promotion, market research, or technical exchange, and the mission members should be selected accordingly.

In principle, the costs of the mission should be borne by the participating members. Costs of the official events such as reception, business meeting should be borne by the organisers, and TPO should consider assisting a part of the participants' travel expenses, for example, half of their airfare, as an incentive to the participants.

Trade missions may include the following:

Leather materials	:	India, ROK, Taiwan, Italy, Germany, Spain
Tea and coffee	:	Australia, New Zealand, Northern Europe, Eastern Europe
Textiles and handicrafts	:	United States, United Kingdom
Foodstuffs and horticultural products	:	Netherlands, United Kingdom, Germany
Cut flowers	:	Netherlands
Metal working products and other light industrial goods	:	PTA countries

4.1.6 Improving the Quality of Export Products

In order to improve the quality of export products so as to make them suitable for overseas markets and increase their international competitiveness, experts on design should be hired and the functions of the design centre enhanced. To this end, the following activities should be carried out.

(1) Collection of High Quality Foreign Product Samples

- 1) TPO should collect, samples, catalogues, and design information on high quality products, competing products, and best-selling products when it participates in overseas trade fairs, in the interest of export industries. TPO can ask the local market research companies to collect these. Product study meetings and sample exhibitions should then be held in Kenya.

Export industries include textile products, leather products, handicrafts and other light industries products.

- 2) Product experts and designers should make comments on the designs, coloring, and packaging of the collected samples.
- 3) The collected samples should be displayed at a permanent exhibition hall or sent to other towns as part of efforts to raise awareness of design among Kenya's businessmen.
- 4) Sample collection services

TPO will collect product samples on request from exporters. The expense will be borne by the exporters.

(2) Guidance on Improving Export Products

Each year, one or two product experts and designers should be invited from abroad to speak at seminars on improving export products to be held during the duration of domestic trade fairs. These product experts and designers will provide on-site advice when they visit factories and trade fairs and also assist manufacturers to develop high quality products and promising export products.

- 1) Export product development

The product experts and designers mentioned above can be invited under foreign aid programmes.

2) Sponsoring design seminars and workshops

Following topics are to be covered:

(a) Design management

This will be for corporate managers and design managers

(b) Product development and design

This will be for managers in charge for product design and development

(c) Packaging and marketing

This will be for corporate managers and design managers

3) Selection and display of high quality local products of Kenya

High quality products of Kenya will be selected and displayed at a permanent exhibition hall, Kenya's booths of foreign trade fairs, and Kenya's embassies abroad in order to make the quality and design standards of Kenya's products known to foreign businessmen. This will also lead Kenyan businesses to realize the importance of the design.

4) Sponsoring design exhibitions

Once the TPC is established, a variety of design-related events such as exhibitions mentioned below should be held with the cooperation of foreign design organisations every year.

(a) Exhibition for Kenya's Good Design Product

(b) Exhibition for High Quality Foreign Product Sample

5) On-site advice for factories

Foreign product experts should visit local factories and offer technical advice on upgrading export products and improvement in the manufacturing process.