

SOW for the Proposed Six-month extension of Kenya Horticultural Development Program October 1, 2008 – March 31 2009

1. Background

USAID Kenya awarded the Kenya Horticultural Development Program (KHDP) contract to Fintrac Inc. in September 2003 and implementation started in October 2003. Results to date have been impressive and KHDP has contributed significantly to increased incomes for smallholders in the horticulture sector. KHDP has trained more than 40,000 growers since the start of the program and has also contributed to national policy initiatives which support the growth of domestic, regional and export markets. More than 70 collaborative alliances with key private sector businesses continue to enhance sector competitiveness in markets. Various NGOs and public sector agencies also collaborate with KHDP.

Since the start of the program, Kenyan horticultural exports have increased by 40% to \$700 million while domestic market growth is estimated at 5-10% per annum. New income since 2003 through employment and smallholder production for the horticulture industry is estimated at \$16 million. It is widely acknowledged by industry stakeholders that USAID's KHDP has contributed to this growth.

The Government of Kenya and USAID Kenya recognize the important role of horticulture in alleviating poverty through increased food production and income generation in rural areas. Furthermore, the industry has strong growth potential, particularly in crops and products which can be grown by smallholders, and has strong multiplier effects on other economic sectors. USAID Kenya is committed to supporting the industry subject to availability of funds. To avoid loss of momentum, contribute to sector re-establishment after post December 2007 election crisis; and to allow time to design and introduce a new program for competitive bidding and award, it is proposed that Fintrac's current contract be extended for six months from the current end date of September 30, 2008 through March 31, 2009.

2. Introduction/Summary

During the six-month extension, KHDP's overall goal will remain to increase rural incomes through horticulture production and marketing.

KHDP will continue to focus on:

- Raising levels of compliance with statutory and trade sanitary and phytosanitary (SPS) and food safety protocols, particularly for smallholder growers
- Increasing domestic and regional trade in horticultural crops and products
- Developing and commercializing new and under-exploited horticultural crops
- Increasing the export of Kenyan horticultural products (fresh and processed) to the US market
- Accelerating the production, value addition and marketing of horticultural and tree crops for food security and income generation

This modification will build on systems developed by KHDP over the past 4.5 four years to deliver services to smallholder farmers and small and medium enterprises (SMEs) through a business development services (BDS) approach, including cost-sharing partnership/alliance agreements with private and public sector partners. By continuing to use this approach, the

program will leverage further local investment in small-scale growers, and income generating activities. KHDP will also continue to contribute to discussions towards reviving/ creating policies that increase direct and indirect employment in the horticulture sector.

3. Technical Approach

The overriding objective during this six-month extension will be to enhance industry and clientele gains through proven interventions and methodologies, while ensuring results are achieved and attributed to the program. Some current program activities may be scaled down during this period, while others enhanced especially in western region (Rift Valley, Western and Nyanza provinces) that was severely affected by the post December 2007 disputed presidential election results crisis and the marginalized coastal regions of the country. The program will aim to increase its activities directed towards: (1) US market penetration for key products (flowers and nuts); (2) domestic market growth and competitiveness; (3) value addition; and (4) tree crop (cashew nuts, mangoes, coconuts and passion fruits).

3.1 SPS and Food Safety Compliance

The KHDP has contributed towards enabling smallholder growers to achieve compliance with EurepGAP protocols. Consequently, the private sector continues to sustain grower support towards EurepGAP compliance and certification. During the extension, KHDP will focus on USDA/APHIS SPS approvals for the US market in collaboration with KEPHIS and the introduction of food safety and traceability systems for the domestic market.

3.2 Increasing Domestic and Regional Trade

Local and regional markets for horticultural products are massive and growing fast. KHDP will continue facilitating in the creation of an efficient national data collection system to monitor and analyze horticultural trade growth (domestic and regional) in collaboration with relevant organizations, e.g.; the Horticultural Crops Development Authority (HCDA). Facilitation of specific interventions will also be made at critical points in the value chains of the major domestic and regional crops, to increase yields, reduce wastage, increase sales and raise incomes of growers and brokers.

3.3 Product Development

During the period, a number of products will be targeted. Among them will be chillies, passion fruit, spices, smallholder flowers, domestic market vegetables (tomato, cabbage, potato, onion), tree crops (cashew, mango and moringa seed oils). Some efforts will be invested in the arid and semi-arid lands (ASAL) food crops (sweet potato, butternut squash) as there is growth and market potential.

3.4 Kenya-US Trade Development

There is potential to increase Kenya/US trade significantly. The program will continue to focus on the most promising activities to enhance Kenya/ US trade in horticultural products.

3.5 Horticultural and Tree Crop Development in Coast Province

Technical assistance provided to rehabilitate cashew, mango and coconut will continue. Through this extension, KHDP will also continue working with cottage cashew processors (mainly Muslim women) in Coast province to develop their capacity by providing relevant technical assistance in cashew processing, grading and standardizing in order to access markets. The program will facilitate market linkages for the processors through an experienced partner. KHDP has been successful in introducing horticulture to small-scale farmers in food insecure areas of coastal Kenya. Both food crops (sweet potato, vegetables and butternut squash) and cash crops (chilies, passion fruits) are now contributing significantly to poverty alleviation for thousands of families. This work will continue.

4. Cross-cutting Issues

KHDP will continue pursuing a gender mainstreaming policy during this extension. The program will build capacity of producer groups in management and commercial skills. Youth opportunities especially in western region will be expanded during this extension period to contribute in economic activity re-establishment after the post election crisis. Policy issues will be addressed in collaboration with the National Horticulture Taskforce, Ministry of Agriculture and other industry associations. Continuation of training and technical assistance to farmers in integrated crop management (ICM) techniques, and other interventions on tree crops, water conservation and new crops for ASAL areas will increase areas under production and contribute to improved natural resource management systems.