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DPAD/DE.R.2/0  
13 June 1978  
Original: English

06737

**EVALUATION OF  
INDUSTRIAL POTENTIAL  
FOR  
INTERNATIONAL  
CONTRACT  
MANUFACTURING**

**IS/KEN/78/004**

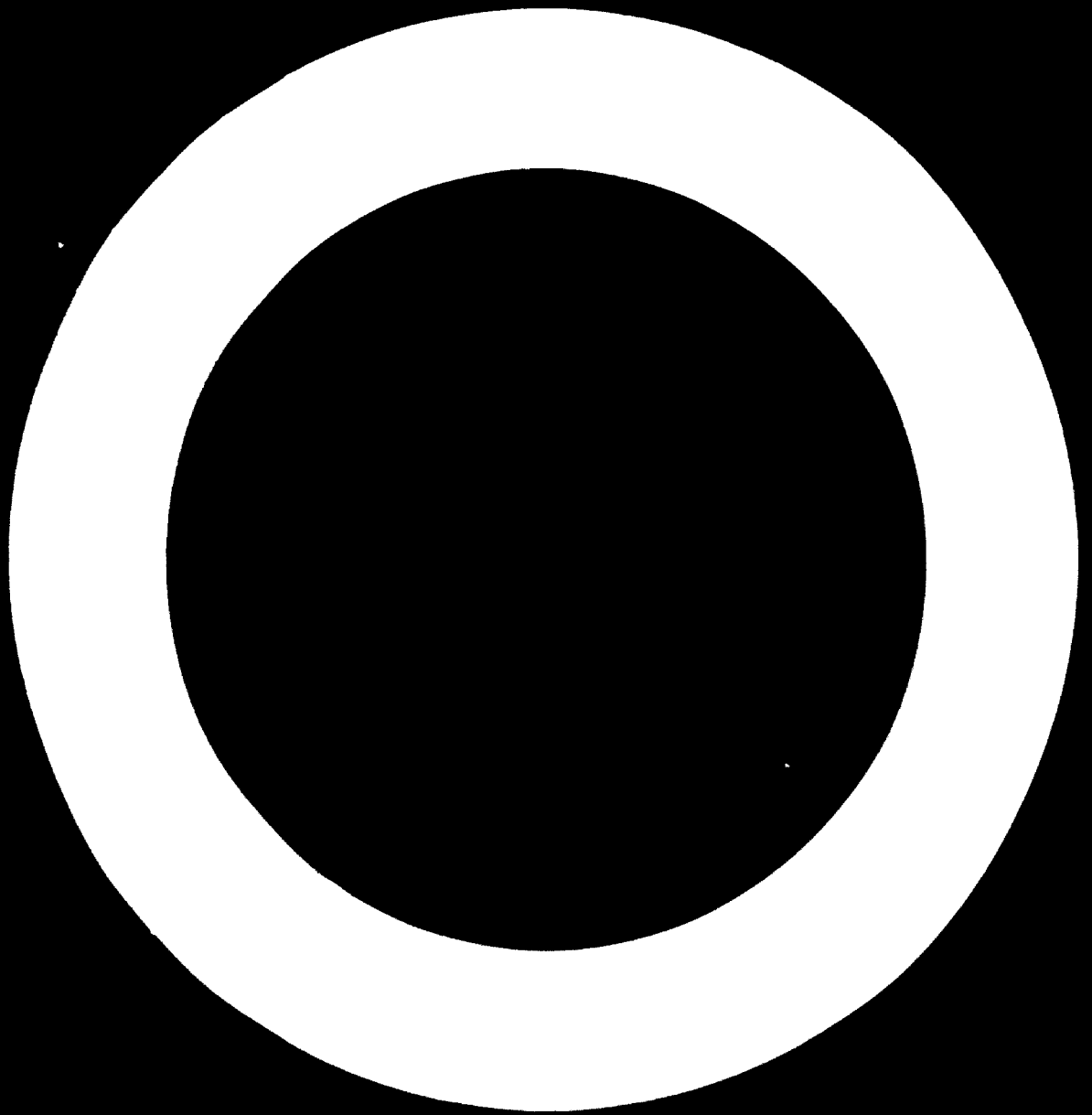
**KENYA**

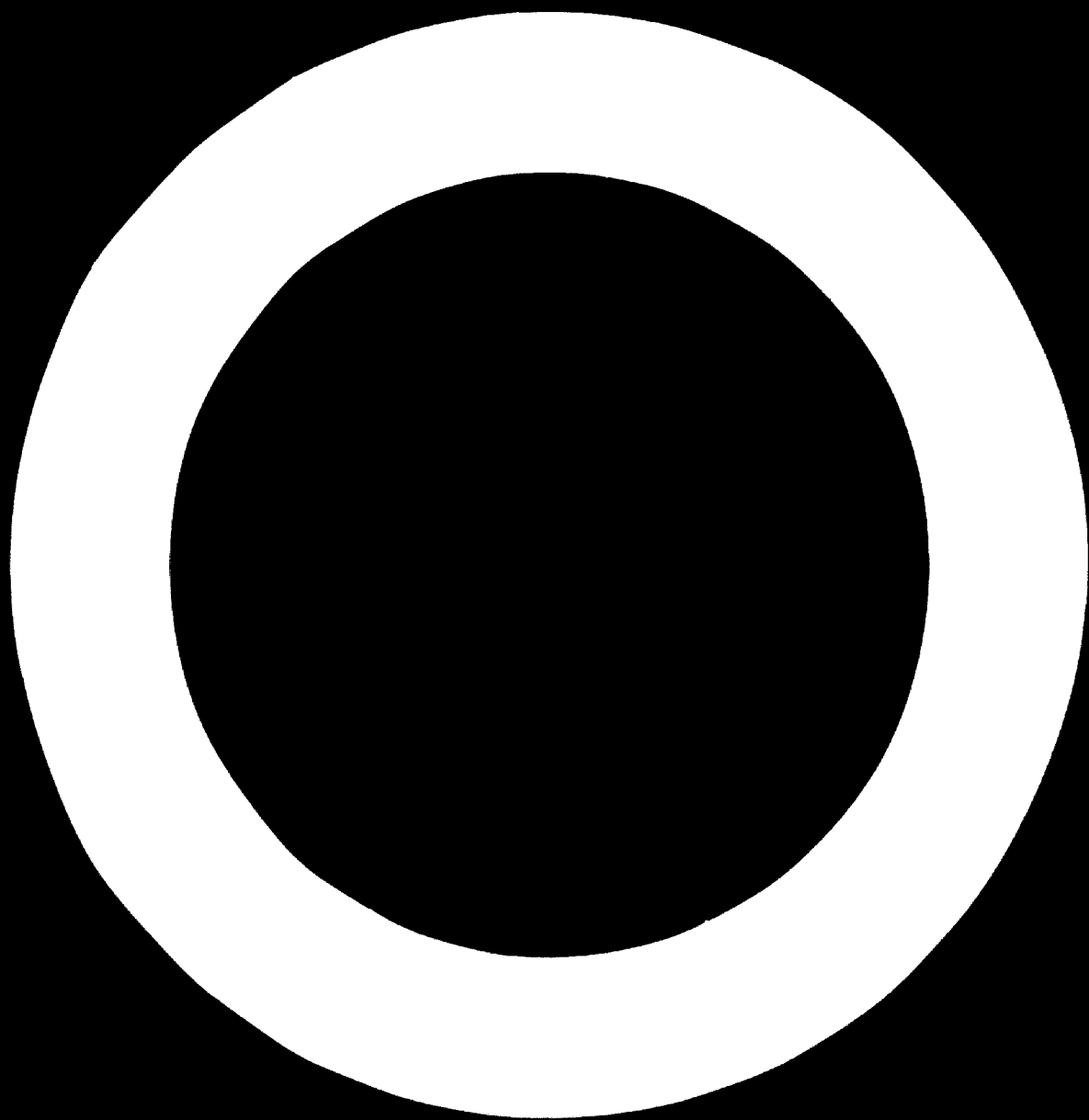
**TERMINAL REPORT**

Prepared for the Government of Kenya by the  
United Nations Industrial Development Organization,  
executing agency for the  
United Nations Development Programme



**United Nations Industrial Development Organization**





United Nations Development Programme

EVALUATION OF INDUSTRIAL POTENTIAL FOR  
INTERNATIONAL CONTRACT MANUFACTURING

IS/KEN/73/004

KENYA

Project findings and recommendations

Prepared for the Government of Kenya  
by the United Nations Industrial Development Organisation,  
executing agency for the United Nations Development Programme

Based on the work of H. Bekker and A. Herrong

United Nations Industrial Development Organisation  
Vienna, 1975

### Explanatory notes

Reference to "tons" indicates metric tons, unless otherwise stated.

Reference to "dollars" (\$) indicates United States dollars, unless otherwise stated.

Annual rates of growth or change refer to annual compound rates, unless otherwise stated.

The following forms are used in tables:

Three dots (...) indicate that data are not available or are separately reported.

A dash (-) indicates that the amount is nil or negligible.

A full stop (.) is used to indicate decimals.

The Kenya pound (£K) is used to denote units of 20 Kenya shillings (KSh). (KSh 1 = approx. \$0.14.)

The following acronyms have been used:

ISPC	Industrial Survey and Promotion Centre
KEPC	Kenya Export Promotion Council

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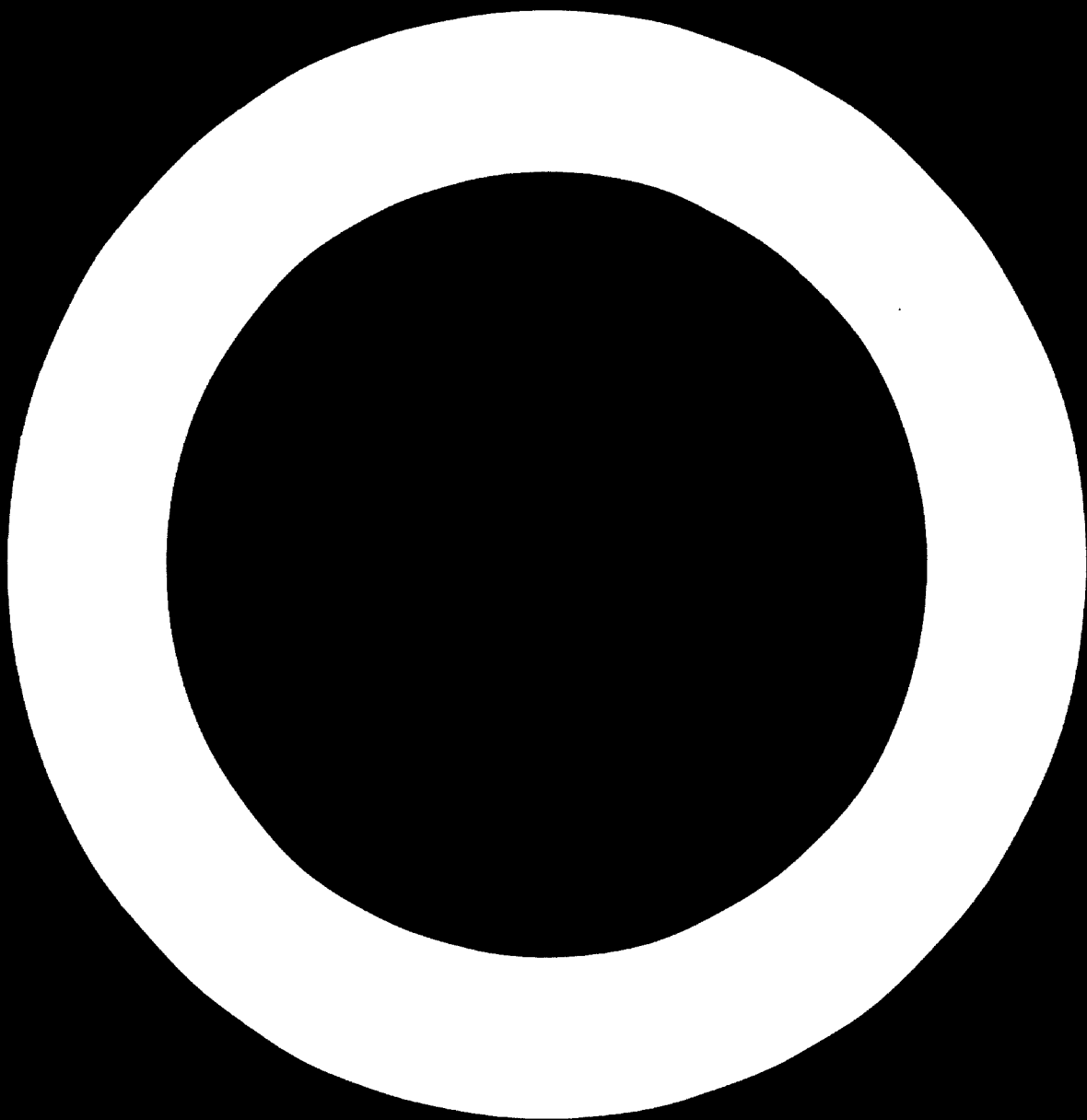
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CONTENTS

<u>Chapter</u>	<u>Page</u>
INTRODUCTION.....	5
I. CONCLUSIONS AND RECOMMENDATIONS.....	9
II. SURVEY OF POTENTIAL FOR SUBCONTRACTING IN KENYA.....	15
Metal working and manufacture.....	15
Steel operations in Kenya.....	16
Foundry operations in Kenya.....	16
Electric motors, transformers, radio and telephone sets, wires and cables, batteries, electric lamps.....	17
Vehicle assembly.....	17
Textiles.....	18
Food.....	19
Wood.....	21
Wooden furniture.....	21
Hides, leather and skins.....	21
Miscellaneous.....	21
III. SURVEY OF POTENTIAL PRINCIPALS IN WESTERN EUROPE.....	23
France.....	23
United Kingdom of Great Britain and Northern Ireland.....	23
Federal Republic of Germany.....	23
Norway.....	23
Netherlands.....	24

ANNEXES

I. Summary of visits - Kenya.....	25
II. Summary of visits - Western Europe .....	40
III. Potential for fruit and vegetable processing in Kenya.....	51





## INTRODUCTION

### Project background

The Government of Kenya has shown a keen interest in promoting international subcontracting agreements between manufacturers in Kenya and enterprises in developed countries as a means of expanding industrial export production. In May 1973, the Ministry of Commerce and Industry asked the United Nations Development Programme (UNDP) to provide two experts in international subcontracting to help assess the potential for international contract manufacturing in Kenya's industrial sector.

### Official arrangements

UNDP approved the project on 21 February 1975 and appointed as executing agency the United Nations Industrial Development Organization (UNIDO). It ran for four months, from January 1975. The contribution of UNDP was 20,000 United States dollars. The Industrial Survey and Promotion Centre (ISPC) of the Ministry of Commerce and Industry was designated by the Government of Kenya as the counterpart authority.

### Objectives of the project

The task of the experts was to assist the Ministry of Commerce and Industry to identify Kenya's comparative advantages in producing manufactured goods and components for export under subcontracting arrangements, as part of an effort to promote the manufacture of components, parts, sub-assemblies and finished products by Kenyan firms under subcontract to enterprises in the industrialized countries.

The specific tasks of the experts were as follows:

- (a) To identify the most suitable industrial sector for subcontracting;
- (b) To identify excess manufacturing capacity available and suitable for international subcontracting agreements;
- (c) To identify suitable firms interested in international subcontracting opportunities and to assess their competitiveness and identify ways to improve it where necessary;
- (d) To analyse local export policies, including export incentives, and also the import regulations and restrictions of potential market countries;
- (e) To identify production factors and their cost, and estimate freight charges to potential market countries;

(f) To draft a detailed document that will provide a portfolio of information for the promotion of subcontracting arrangements with Kenyan industries;

(g) To recommend measures to set up machinery for the systematic and effective promotion of international subcontracting opportunities for Kenyan manufacturers and industrial co-operation with foreign firms in general;

(h) To explore the feasibility of establishing new specialized manufacturing capacity suitable for international subcontracting arrangements;

(i) Where the establishment of new capacity is technically and economically justified, to prepare a programme for it;

(j) To recommend the type and extent of any further technical assistance required to establish new specialized manufacturing capacity for international subcontracting arrangements.

#### Definition of international subcontracting

The brochure "Subcontracting in industrializing countries" defines international subcontracting as follows:

"Subcontracting is a contractual agreement between a primary company (contractor) and a secondary company (subcontractor) for:

(a) The supply, by the subcontractor, on order from the primary company, of parts, components, subassemblies and assemblies that are then incorporated in a product sold by the primary company, both companies being involved in manufacturing;

(b) The processing of materials for the primary company - whether the materials are provided by it or not - and the processing or finishing of parts provided by, and returned to, the primary company.

A corollary to this definition is that there is no subcontracting when the large company purchases shelf items or commonly available services... Government purchasing from industry, when no further processing, assembly or other manufacturing operations are involved, will not be considered subcontracting, even though the term subcontracting is often used in the sense, in particular in the United States. Also excluded from its scope are activities related to non-industrial sectors such as construction".

Kenya: facts and figures

The following main facts and figures may be of interest to readers of this report:

	<u>1973</u> million Kenya pounds
Gross domestic product	
at current prices	731
at constant prices (1964 = 100)	587
Agricultural production	242
Manufacturing production	360
Public debt	262
Total domestic exports	123
Total net imports	206

Worker's average monthly wage: 200 to 400 Kenya shillings

Population: 12,500,000

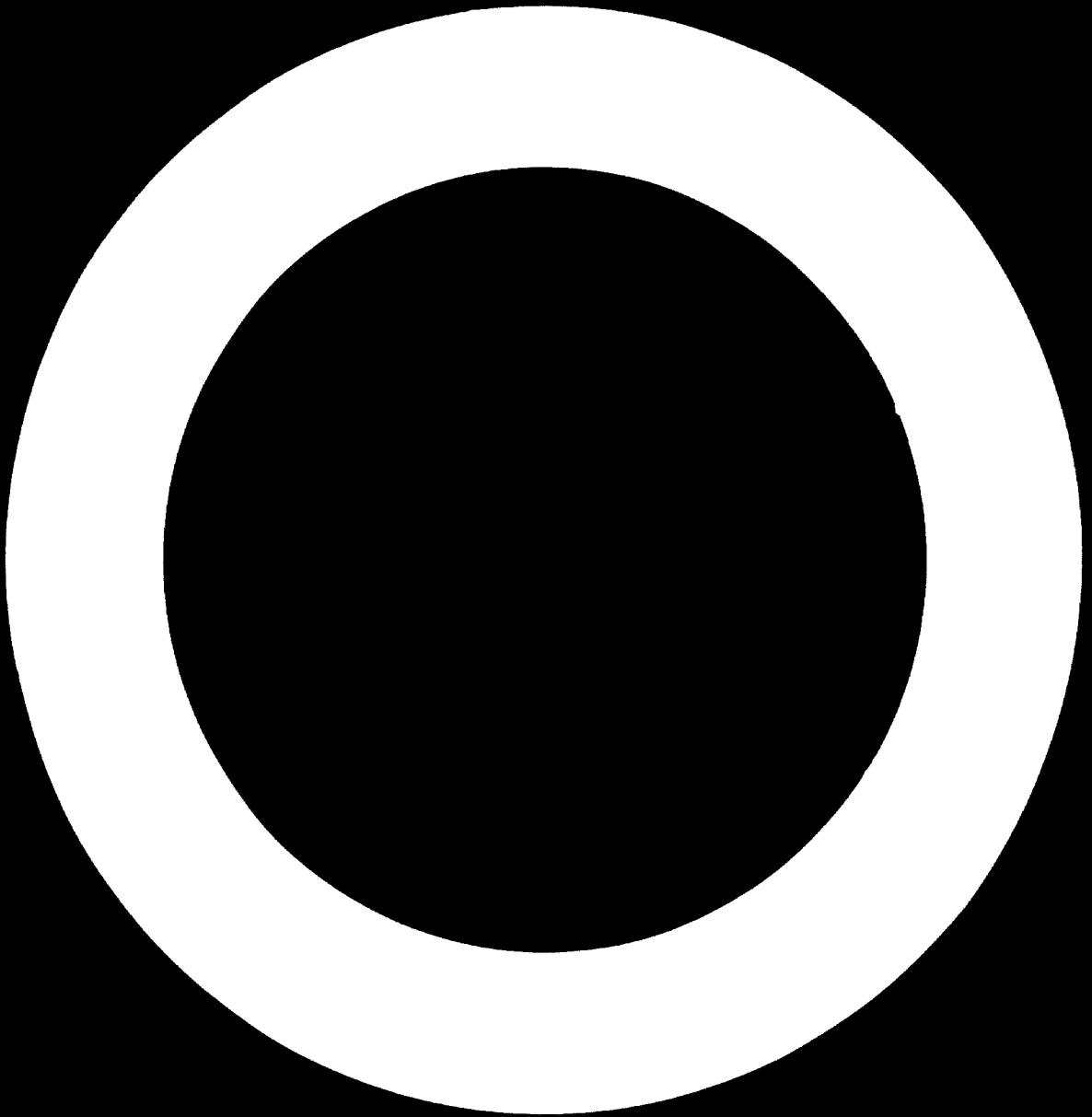
Growth: three per cent a year

(55 per cent over 15 years)

The foreign trade deficit is expected to run to £K50 million in 1975 and £K60 million in 1976.

About 33 per cent of Kenya's electric power is produced from petroleum-based fuels (as everywhere, the fuel price has quadrupled).

In 1973/1974 the cost of living rose at an annual rate of between 15 and 20 per cent - wages have failed to keep pace with prices during the last two years, but a rapid growth in wages can be expected due to inflation and trade union pressure.



## I. CONCLUSIONS AND RECOMMENDATIONS

The work has been necessarily done well outside the limits of the strict concept of international subcontracting but it is hoped that this report will serve as a starting point and a guide for future decisions.

After visiting 49 firms in six different branches of industry and having talks with experts, businessmen and bankers (whose reports and feasibility studies were examined), the experts came to the conclusion that at Kenya's present level of industrial development, international subcontracting is not an obvious goal in itself. It should instead be the result of a certain effort to industrialize, whose objectives, in descending order of urgency, are:

1. Training (managerial and technical);
2. Import substitution and export;
3. Selective investment to increase production for the local market and for export.

It will thus be possible for some firms to involve themselves successfully in international subcontracting.

Industry in Kenya is growing and should be encouraged to grow, but it is the feeling of the experts that plans for the future of the country should be focused on agriculture, agro-based industries and correlated problems.

As a World Bank mission stated in 1973, "agriculture offers the best use of Kenyan resources while increasing employment and the distribution of incomes. It is export orientated and invaluable in attacking the poverty of the rural areas". That means there is a need for effective training for farmers, and for the development of such crop varieties as oil seeds, pulses, small grains and horticultural crops. That means there is a need to increase planning capacity for a large-scale production programme for the mass of small farmers. Agro-based industries must be created and developed to provide a link between industries and agriculture.

It is the feeling of the experts that there is not enough competition in Kenya; too many firms seem to make a reasonable profit without too much stress and organization and without using their full capacity. Too many firms are also manufacturing the same range of products, whereas they should be induced

to regroup and specialize more.

A tougher and more selective import policy in conjunction with a serious control of profits could prove effective in this area.

It would be a long and costly, but nevertheless valuable, task to analyse in detail the efficiency factors for each firm above a certain size, as is often done by competent consulting firms in Europe. To give some idea of what this would involve, a medium size firm, for instance, would require the work of a team of 3 or 4 consultant specialists in work analysis and preparation, layout studies, cost analysis, analytical accounting, target determination and measurements, and the like, working for several months in the same firm.

A more manageable (and also complementary) version of this idea would be to increase management training opportunities. It must not be overlooked that many managers (as was often the case in France, for instance) believe they know all about management (which is often not true) and do not find time available to go back to school. That means that some sort of marketing or psychological campaign is needed to sell the idea first.

There is also a need for the technical training for foremen, and for the development of skills in workers. The importation for a limited period of some carefully selected expatriate foremen would be an invaluable help: they could select and teach future local foremen on the spot. Although the number of expatriates living in Kenya is an obvious limiting factor, there is some doubt as to whether they are all efficient and needed. As far as the training of workers is concerned, the example of France, which has invested a lot of money in industrial training for adults (formation professionnelle des adultes) with excellent results, could be carefully studied and the findings transferred to Kenya. Some similar efforts are already being made.

Management training and technical training are the basis of any development of industrialization. The experts feel that the efforts made in this area fall far short of what is required.

The experts can only emphasize what was said in the preliminary report about the subcontracting unit and its possible counterpart in Europe.

It is essential to create an organization in Kenya, called, for example, the international subcontracting unit (ISU) and one in Europe, called, perhaps, the

European unit (EU). For a certain period, the flow of enquiries and replies will have to be channelled through these two organizations.

The role of the ISU would be:

To encourage in every way the export endeavours of firms;

To attract the interest of such associations as the Kenya Association of Manufacturers, regroup and simplify their work, transmit questions and subcontracting tenders to Europe and replies from Europe, and to promote direct communication between firms as soon as there are specific projects.

The general consensus is that the ISU should not be created as a new organization, but should be a unit in the Export Promotion Council under the control of a manager. It should establish working arrangements with existing specialists who could act as advisers in each specific case.

The complementary role of the EU would be:

To seek European, Asian and American firms interested by the Kenyan proposals, and to transmit their replies;

Using its good knowledge of the Kenyan economy, to raise European interest in going into joint ventures, and to help publicise the possibilities and potentials of the Kenyan economy.

It would certainly be valuable to entrust part of this work to the commercial or industrial attachés of the Kenyan embassies in Europe, after a business training. But the EU in Vienna should take the initiative and be the main driving force, and should probably also be a unit in the Export Industries Section.

The ISU in Nairobi may not need any particular training if it is attached to the Export Promotion Council. The Council can easily include international subcontracting in its present export activities. In other words, the chain of information would be: the possible subcontractor - the ISU in Nairobi - the EU in Vienna - industrial attache - possible contractor, and vice-versa, at least until the contractor and subcontractor are in a position to talk together.

One point may be raised, however: are Kenyan firms sufficiently motivated and conscious of the help they could receive? The experts were somewhat disappointed by the following experience: after 21 first visits, a letter of thanks was sent, indicating that it would be very useful to receive a letter of interest which would be a good introduction to the European firms to be visited. Not a single reply was received. The experts recommend, therefore,

that the Export Promotion Council should make known to these firms through letters and advertisements that it could be of real help. Firms in Kenya interested in doing business should adopt a much more aggressive policy towards Europe by initiating an active exchange of correspondence with their potential partners, and by direct contact after a certain stage.

In Europe, the weak point of the organization might be the training of the commercial attachés. A commercial attaché can be given business training in his country of assignment, since he knows the language of the country. An effective way to provide him with a knowledge of the main firms in his country of assignment might be to select an adviser who already has good connexions with these firms and is able to introduce him to them.

The present opportunities for international subcontracting (which is not export) with existing firms are certainly few, with some exceptions that will be investigated in Europe. It is certainly an illusion to believe that the low level of wages is in itself a sufficient factor to permit international competition (or internal efficiency). Far more important are such factors as size of the firm, specialization, quality of equipment, work organization, technical management.

That is how things stand today; the situation can obviously change completely within a few years, to the great benefit of Kenya. One major condition for the development of the country is the increase, at any price, of the efficiency of Kenya's railways. Another is the modernization of Mombasa harbour, which should be a major objective.

If Kenya wants to enter international competition it is probably better to build from scratch large specialized production plants with know-how and interim management provided by firms from overseas. These new industries should be based mainly on the natural resources of the country, for example, agriculture. It is always possible to create artificially (as in Hong Kong or Singapore) a completely new industry, based on a carefully selected market, with a high level of technology and mass production, but it is a very dangerous investment.

The likelihood of some redistribution of industrial production between the developed and the industrializing countries, following the decisions taken recently at the Lima conference, is also being borne in mind.



One very important factor for attracting foreign investments is the size of the market. Unfortunately the East African Community, which in any case offers too small a market, no longer exists. Another factor is investment incentives - many other countries offer the same advantages as Kenya, and some even greater advantages (twenty years tax holiday in Mauritius, for example). Up to a certain degree, the end sought in offering such incentives justifies the means because investors generally think in terms of the world market. It would certainly be worthwhile to study the investment incentives offered in various developing countries in order to ascertain whether the Kenyan advantages are attractive enough.

It is obvious that many firms are managed by Indian-born people whose competence has to be taken into account. Putting aside any irrational reactions, if Kenya needs these people, they have to be given enough confidence in the long term and sufficient assurance of their future; this approach is not in contradiction with the principle of training and preparing more African managers. If this is not done, it is doubtful that they can really subscribe to the policies and long-term interests of Kenya.

As the creation of free zones will inevitably take time, it would be more advisable in the medium term to declare some selected firms free zones in situ.

Import regulations in developed countries are often an obstacle to international subcontracting. However, one of the results of the Lima conference was to give a group of developing countries duty-free access to the EEC on a non-reciprocal basis, and this will help to overcome the obstacle in the future.

The procedure for granting import licences must be improved. The experts heard the same story several times that a firm needed to import vital spare parts but had to wait so long to get the import licence that the selling price had changed. A new licence was required for which there was another wait by which time the selling price had changed again.

Another example of inefficiency was the case of a resin products manufacturer, who was given a licence for 15 different raw materials, but not for a 16th which was as necessary as the 15 others. The consequences of such occurrences can be dramatic for employment.

There is some question as to whether there are enough people with technical or industrial training in the import licensing services.

As far as the experts are aware, the only machine tools in use, some of which they saw, are owned by some of the big firms for their own maintenance and training purposes. One large machine shop, at least, with a selection of modern machine tools and heat-treatment equipment would find a considerable local market (spare parts).

Kenyan manufacturers seem to be generally uninformed about freight rates to Europe and duties there. ISPC or the Kenya Export Promotion Council should prepare a leaflet explaining how to calculate freight and duty.

## II. SURVEY OF POTENTIAL FOR SUBCONTRACTING IN KENYA

Visits to firms were the experts' main source of information. Almost every visit was described in a visit report, and these reports, which form an initial portfolio of information on Kenyan industries, are available in the files for consultation.

The following summary of the visits gives a tentative indication of any subcontracting possibilities (see also annex I).

### Metalworking and manufacture

Steel Construction and Petroleum Engineering (SCOPE) Ltd. and, to a certain degree, African Marine Ltd., should be competitive in international subcontracting - they are making steel structures and oil storage tanks of good quality. The prices seem attractive, because their organization is good.

It should be possible to find contractors in Europe who have contracts with the Middle East, and are interested in having part of a contract made in Mombasa and delivered to the Middle East. (It is not regarded as practical to anticipate deliveries to Europe.) Nevertheless, the slow turn-around of shipping in the port of Mombasa is a drawback as short delivery times are generally requested (the railways do not go into the harbour and there is only one 65-ton crane).

The case of Specialized Mouldings Ltd., which makes fibreglass boats up to 15 m in length, is extremely interesting. The firm is well managed, prices are 25 to 30 per cent below United Kingdom prices, and it should be easy to find a European contractor (fibreglass and glue are imported free of duty).

Ideal Casements has a large plant which is well organized; it specializes mainly in steel and aluminium windows and frames. Prices may be competitive, but it is doubtful whether there is any market in Europe. As in the case of SCOPE, deliveries should be planned abroad, possibly according to European designs.

Glad Home Works Ltd. makes old-fashioned and heavy bicycles in small quantities (600/month) for the local market, which should not be saturated (but there is not enough advertisement). If the market could be increased, this firm should invest in a large extension, possibly using know-how from Pon

in the Netherlands. There is no question, however, of considering locally made parts as possible items for subcontracting.

In general, Glad Home and other firms created within Kenya Industrial Estates are far too small and unorganized to have any chance of going into international subcontracting. It is a waste of time, for instance, to try to export wooden hangers made by 9 workers in a completely unorganized shop.

Firms like Brody, which makes only steel profiles, angles, tubes and pipes etc., are extremely useful for the local market, but stand no chance of subcontracting anything for a number of reasons: the steel is imported, the firms are small, and their equipment is old.

#### Steel Operations in Kenya

There are three rolling mills in Kenya, with electric arc furnaces as follows:

EMCO	12 ton ladle (July 1973)
KUCO	5 ton ladle (February 1975)
JRM	4 ton ladle

They are mainly using steel scrap to produce wire, round and square rod, reinforcing bars, steel angles and flats.

For steel angles and flats, these firms could not compete with imported products, but the importation of round and square reinforcing bars is completely banned.

Total annual furnace capacity is about 63,000 tons. This capacity and the related prices completely preclude any possibility of subcontracting.

#### Foundry Operations in Kenya

There are six metal foundries in Kenya.

Some typical prices for cast articles are:

Brackets (for bed manufacturers):	
Imported from India:	KSh 2 each c.i.f. Mombasa
Locally made	KSh 2.25 each

Cast-iron wheels for ploughs:

imported KSh 3 each  
local price KSh 8 each

These foundries are very useful for the local market, but quite unable to meet international competition.

Electric motors, transformers, radio and telephone sets, wires and cables, batteries, electric lamps

The expert did not visit firms producing these items because ISPC made a special report on the subject from which it is clear that in most cases, it is doubtful whether such equipment can be made or even assembled in Kenya for several years. Even then the products would be for the local market and some neighbouring countries. Mention should be made of the investigation of Kenya (and other African countries) by Motorola as a site for a large semi-conductor assembly plant.

Vehicle assembly

This is a particularly interesting area. There are plans for three commercial vehicle assembly plants of which one, for Leyland and Volkswagen vehicles, is under construction at Thika (opening in 1977).

Use is already being made of some locally produced items, such as batteries and tires, even if they cost more than the same items imported (the retail price of a locally made Firestone tire is about double the French retail price. Firestone Kenya produces 600 tires a day as against 40,000 a day in a European country). Leyland is not against using an increasing proportion of locally-made items, but there is a question of price and quality. At present, for instance, exhaust pipes are of unacceptable quality, but they have to be used as replacement parts for most makes of car.

The experts understand that a list has been made of items which it would be advisable to make in Kenya in the future. The problem is to make a long-term plan, to select existing firms able to make the items, and to decide what new production plants are to be built. The limit of this integration is a question of common sense. It would not be wise for many years, to manufacture complete engines, for example (three manufacturers are using the same engine which is made in one factory).

The criteria for the selection of items made locally should not be their use, but the magnifying and training effect they can generate. (Making exhaust pipes is a good starting point to introduce stainless steel technology, its specific welding problems, etc.; making engine fans is an opportunity to introduce a die casting industry, with the serious correlated problems of quality control, metrology, test-benches, etc.)

### Textiles

The experts visited 13 textile firms employing between 100 and 1000 workers, making shirts, blankets, garments, knitwear, printed fabrics, etc. Most of their raw materials (yarns, polyester fibres) carry an import duty of 30 per cent, which is only partially remitted after months of delay; these raw materials often represent more than 50 per cent of the cost of the product. The advantage of low wages (which is in fact not obvious in comparison with the Far East) is completely offset by the following factors:

The small scale of the firms and the low degree of product specialisation;  
Weak organization;

Insufficient division of work in elementary tasks, insufficient study of the production line and arrangement of machines;

Inadequate technical training of the workers and foremen, no quality control and, consequently, very high percentage of errors.

The most important firms are daughter companies of large Indian groups.

Imported products bearing a 45 per cent import duty are cheaper than the local products. This, and some price comparisons which the experts were able to make, lead the experts to think that the competitiveness of these Kenyan products in Europe is doubtful at present. However, possible European outlets for some products like shirts and even blankets, or rolls of cotton for medical use, have to be investigated. That certainly presupposes a large effort to adapt to designs, sizes, quality presentation and delivery time.

Only a small proportion of local demand is covered by goods manufactured in Kenya. Consequently, it seems important to increase production for the local market as well as for export. There is in any case a rapid expansion taking place (forecast from 30 to 70 per cent in two or three years).

One case deserves attention in Europe and is related to the inefficient

current procedure for export remittance, before the possible creation of free zones. If a contractor exports a raw material to Kenya to be transformed and totally re-exported to him, there is no import duty. In such a case, the Kenyan firm could be competitive, but only if two conditions are met: the product selected must have a growing and rather new market, and a large modern plant must be built to the specifications of the contractor. This is in fact the case for a weaving, dyeing and making-up textile mill under construction (yarn imported from the Federal Republic of Germany - men's and ladies' trousers exported to Europe).

### Food

Panafood is an agro-industrial firm. Farmers within a radius of about 50 km from the plant produce capsicums, leeks, etc., which are brought to the factory, processed and dehydrated (6 kg of dry product from 100 kg of fresh vegetables). The product is exported under contract to the Federal Republic of Germany.

Annex III contains a report by ISPC showing how far this concept of agro-industries can be expanded in a country where agriculture is by far the strongest sector. The difficulty is that, while it might be possible to find a European contractor, it is not easy at present to find a partner. The problem is to establish effective co-operation between people with markets, money and know-how, on the one hand, and local growers, small and big, on the other. The ISPC acts as a catalyst and welcomes such initiatives. Like ISPC, one can envisage co-operatives of the type to be seen in Israel or Yugoslavia, with some form of undertaking for each farmer to cultivate a bigger piece of land together with others. The initiative should certainly come from the Government, and would require good managers.

The Kenyan and world market for fresh and dehydrated horticultural crops is probably a very large one. Bearing in mind Panafood's complaints about the variable quality of the input, however, there is certainly a need to teach the farmers to be more efficient.

The building of a processing plant (and related problems) is certainly the easiest point to settle.

Kenya Orchards Ltd. (KOL) is another example of the possibility of agro-industrial integration and subcontracting. KOL is a sort of "big kitchen" making excellent jams and similar products. The firm has some transitory

problems with the increased price of sugar, but it is a world problem and there will be an adjustment of the selling price. The plant is far too small to be really competitive, but it could grow as input of capital increases.

The experts will investigate the possibility of co-operation in this area.

The concept of bringing horticultural crops and agro-based industries together relies on the very critical matter of water. The experts travelled extensively throughout the country, but were surprised not to see more wells. It is obvious that large irrigation projects are needed, but the possibility of finding water by boring and of pumping it with a simple windmill should be investigated.

The production of edible oils is less than half the local consumption. Elianto is a small and quite modern plant, but Nakuru Oil Mills is completely obsolete and of low efficiency. There is a need to build modern oil plants, but the problems of oil seed production must be solved first.

The sugar industry is on the borderline of this assignment (production will apparently match consumption in 1980), but there are two points worthy of note. Firstly, during the visit by the experts, the plant was overstocked with sugar and had shut down because the railways could not meet the demand for tonnage. Secondly, the proper utilization of molasses: at present, small quantities are mixed with urea and phosphoric acid to produce a cattlefood. At least one fermentation process exists which would probably give more added value to the molasses (yeasts and alcohol). But the most important questions concern profitability, world prices and markets.

P.J. Products makes cornflakes (know-how from General Mills) in a small, new plant. The product does not yet meet international standards and more permanent technical advice is required. The firm prepares pickles (onions, gherkins) under poor conditions. The onions and gherkins are imported from Holland, but the managing director is trying to get them from Kenya. The lesson which can be drawn from this (and from many other visits), is that the will, courage and vitality of the managers are necessary conditions of success, but they must be backed by good technical and managerial knowledge.



### Wood

There are more than 50 sawmills in the country. They are generally small and unorganized, and use second-hand equipment. Compared with the large potential of the African west coast in wood and equipment, Kenyan wood cannot be competitive abroad (a price difference of 20 per cent between the west coast and East Africa has been quoted).

The plywood factories, which are well equipped, make a product of second quality which is almost completely used for making tea chests (of 1,500,000 tea chests used per year, 500,000 are imported).

Nobody was able to give the experts a firm price for a series of flush or blockboard doors etc. The estimated prices are in the same range as retail prices in France. The first goal is certainly to increase the quality and quantity (30 per cent of import) of the production. It is quite possible to find French firms able to bring at least their know-how, or to bring know-how and designs for some small cheap wooden housing (from France and Norway). But it is not obvious that such housing suits Kenyan taste, regulations and traditions, and it would also be expensive under Kenyan conditions.

### Wooden furniture

Some firms are making good furniture, in small quantities and of average quality. The experts intend to find customers in Europe interested in co-operation for deliveries to the Middle East.

European wooden sports goods sellers will also be approached.

### Hides, leather and skins

The biggest tanneries have a majority of foreign shareholders and the product (wet blue) is already entirely subcontracted. An investor is sought for a new tanning plant.

### Miscellaneous

Since pyrethrum extract is an important export item, the experts plan to check the situation abroad for taking contracts with some customers. Salzburg, the marketing centre for Europe, is probably not the best place. The extract production plant is quite modern and does not seem to need any know-how from Europe.

Handicrafts (wood carvings, curios), are important export items because they are sold to tourists. Production is mainly scattered in small shops on a craft basis. It is impossible to get any pictures or catalogues. As the product is often really artistic, it might interest firms if they are willing to place orders to their own designs (Scandinavian design or sports goods, rifle butts). One big drawback will be that this occupation is completely unorganized.

The firm making fishing flies is in a bad shape (for sale), probably due to lack of marketing and management skills. The experts were told that a leading Norwegian company and previous customer now has its flies made in Singapore.

### III. SURVEY OF POTENTIAL PRINCIPALS IN WESTERN EUROPE

There are more potential principals in Europe than had been anticipated, but firms in Kenya should adopt a more aggressive policy; problems, opportunities, possibilities and limitations must be spelt out to European firms. Annex II contains a summary of the European companies visited.

#### France

Installations are available to extract essential oils from vegetable sources. The Pyrethrum Board of Kenya might wish to consider the possibility of producing oils and other extracts, and could ask the Food and Agricultural Organization of the United Nations to do a feasibility study. There is an interest in Kenyan-made shirts and other garments. One engineering firm was not interested in subcontracting, because of communication problems, but suggested that Kenyan workers could be employed for erection contracts and would learn a lot doing such work. Other products that might be manufactured under subcontract include oils and feed-cake from oil seeds, stoves, wood, and solar heaters.

#### United Kingdom of Great Britain and Northern Ireland

Firms in the United Kingdom showed interest in subcontracting the manufacture of shirts, fibreglass boats, boiler accessories, and accessories for civil engineering.

#### Federal Republic of Germany

Some interest was shown in investment in Kenya. One firm might be interested in fibreglass boats if the price and quality are right.

#### NORWAY

There might be a market for Kenyan shirts in Norway. The high level of wages in Norway might make furniture assembly under subcontract an economic proposition.

Netherlands

Approval to visit firms in the Netherlands was received too late to notify manufacturers there in advance. There appear to be possibilities for subcontracting the manufacture of fibreglass boats, bicycles (provided a limited budget can be made available to investigate the potential of Glad Home in Kenya) and, to a lesser extent, flowers, fruit, vegetables, wooden furniture, and wooden parquet flooring. The opportunities for steel structures and printing have yet to be analysed.

The Netherlands Centre for the Promotion of Imports from Developing Countries (CBI) warns of an increasing flow of offers from developing countries. Importers are therefore very selective where quality and price are concerned, and generally insist on prices quoted "Free Rotterdam harbour" or "Free Amsterdam airport". It is clear that prices quoted "ex-factory" or "FOB Mombasa" will not be accepted in the Netherlands.

**ANNEX I**

**SUMMARY OF VISITS - KENYA**

Metalworking and manufacturing

Firm	Location	Product	Annual sales volume	Exports capacity	Excess capacity	Possibilities of subcontracting	Comments
Scope	Mombasa	Oil tanks Steel structures Barges	3000 T	70% Middle East and surrounding countries	40%	Good	Already works as subcontractor (e.g. Bureau Europa) for deliveries around Persian Gulf
African Marine	Mombasa	Ship repair Barge-building	...	-	100%	Average	From a European contractor. For deliveries around Persian Gulf 500 workers
Kenyan Casements	Mombasa	Steel window frames Bolts and nuts Steel furniture	...	25% Middle East	60%	Very low	Not competitive for Europe. Interested in subcontracting
Brollo	Mombasa	Sheets Plate Open profiles Pipes Tubes	KSh 42,000,000	KSh 8,000,000	60%	-	
Steel Africa	Mombasa	Roofing Nails Galvanised and coloured sheets	...	Surrounding (limited) countries	50%	-	Is looking for possibilities starting 1976

Refinancing and manufacturing (continued)

Firm	Location	Product	Annual sales volume	Exports	Excess capacity	Possibilities of sub-contracting	Comments
Kays United Steel	Nairobi	Reinforcement Steel wire products Nails etc.	...	...	40%	-	Is looking for possibilities: pumps, cans, rubber products, structural products, wire rope, pharmaceuticals, chemicals
V. Leer	Nairobi	Containers steel plastic	...	80% via oil companies	75%	-	Interested in subcontracting if related to current type of work
Malawatta	Nairobi	Busnel and aluminium cans etc.	Referred to holding company	10% Middle East and some surrounding countries	30%	-	
Shere Motors	Kisumu	Subsists for vehicles	...	-	Yes	-	
Old Bus Works	Nairobi	Bicycles	7,200 bicycles	-	100%	-	
Dumas and Stone	Nairobi	Trailers, Vessels, Steel Office furniture	KK1,250,000	10%	25%	-	

Electrical Industry

Plant	Location	Product	Annual sales volume	Exports	Excess capacity	Possibilities of subcontracting	Comments
Harvet	Harrobi	Reaminding motors	...	-	-	Assembly and winding of electric motors, electric flat iron assembly	
Stam	Harrobi	Small tubegear etc.	...	-	-	Domestic lighting fixtures Fluorescent lighting fixtures etc.	



**India**

Plant	Location	Product	Annual sales volume	Exports	Export capacity	Possibilities of sub-contracting	Comments
Large Saw Mill	Bihar	Sawn timber Plywood Teak sheets	9 000 ? 1 500 000 m <sup>2</sup>		30% 50%	To be investigated	
Grand Saw Mill	Bihar	Plywood Teak sheets	1971 Indian 100 1972 " 125 1973 " 90 1974 " 70 1975 " 60	30% 30% 30% - -	Yes	-	Will sell his company for INR1,500,000
Small Saw Mill	Bihar	Plywood Teak sheets	INR1,000,000 to 2,000,000	20% EC	...	-	Bad product. No organization
Large Saw Mill	Bihar	Teak sheets	3 600 tons.	-	30%	-	Prices too high Five workers
Saw Mill	Bihar	Plywood	INR6 700 000	-	-	-	
Plywood Paper Mill	Bihar	Paper	INR200 000 000	-	-	-	

Wooden Furniture

Plan	Location	Product	Annual sales volume	Exports Excess capacity	possibilities of sub-contracting	Comments
Lenard Bore	Nairobi	Style furniture	KK175 000	-	-	On limited scale
Victoria Est.	Nairobi	House and hotel furniture	KK420 000	Surrounding 100% countries	To be investigated	
Umsri Est.	Nairobi	House furniture	KK160 000	10 to 15%	Yes	Yes
Woody Wood	Nairobi	House furniture	KK700 000	Yes	...	Very limited

Textiles, including clothes

Plan	Location	Product	Annual sales volume	Exports	Excess capacity	Possibilities of subcontracting	Comments
Wash Cloth Mills	Nairobi	Yarns	KSh 27 850 046(71)	KSh 10 115			
		Woven and knitted fabrics	KSh 29 220 987(72)	KSh 307 098			
			KSh 36 165 480(73)	KSh 998 667	50%	To be investigated	
			KSh 54 023 446(74)	KSh 263 915			
		Knitted garments	KSh 56 000 000(75)				
African Garments and Textile Manufacturers Ltd	Nairobi	Men's and children's shirts	KSh 3 000 000 (71)	10%			
			KSh 3 000 000 (72)	10%			
			KSh 3 000 000 (73)	10%	75%	To be investigated	
			KSh 3 000 000 (74)	10%			
			KSh 3 000 000 (75)	10%			

Textiles including clothes (continued)

Firm	Location	Product	Annual sales volume	Exports	Excess capacity	Possibilities of subcontracting	Comments
Sasah Textile Industries	Mombasa	Blankets	KSh 9 200 000(72)		87 000	34%	Not interested at the moment
			KSh 10 500 000(73)	KSh			
			KSh 15 000 000(74)	KSh	3 000 000		
Ocean Industries	Mombasa	Ladies outer wear and under-wear Kiteage shirts	...	-		75%	To be investigated
							Has exported small quantities to Belgium through agent. Also covering the Netherlands and Germany
Inter-Fashion Garment Manufacturers	Mombasa	Ladies outer-wear, suits, dresses, parties	KSh 300 000(73)	-			Fully occupied in the local home market
			KSh 500 000(74)	-			
			KSh 700 000(75)	-			
Toral Manufacturers Ltd.	Mombasa	Towels Bedsheets Bedspreads	KSh 3 000 000(72)	-			-
			KSh 5 800 000(73)	-			
			KSh 4 200 000(74)	-			
			KSh 4-5 million(75)	-			
Embro	Mombasa	Shirts	KSh 10 000 000	10%		75%	To be investigated

Textiles including clothes (continued)

Firm	Location	Product	Annual sales volume	Exports	Excess capacity	Possibilities of subcontracting	Comments
Suez	Mombasa	Blankets	KSh 4 500 000	-	35%	To be investigated	
National and Suezey Garments	Mombasa	Shirts	KSh 3 400 000	KSh 80 000	60%	To be investigated	
African Cotton Ind.	Mombasa	Cotton wool sanitary towels	KSh 13 000 000	-	30%	To be investigated	Contacts with Darwick, London
Shah Bhagwanji	Mombasa	Blankets	KSh 5 000 000	-	100%	To be investigated	High rate of production in Europe 160 workers
Blankets Manufact.	Mombasa	Blankets	KSh 11 000 000	-	25%	To be investigated	High rate of production in Europe 160 workers
Raymond Woollen Mills	Eldoret	Sweaters Knitted woollen fabrics	KSh 60 000 000	-	-	-	66% Indian firm (mother Co. is JK India) Salsorg in London - very modern and efficient

Textiles, including clothes (continued)

Firm	Location	Product	Annual sales volume	Exports	Excess capacity	Possibilities of subcontracting	Comments
<b>Keshit</b>	<b>Ridoret</b>	<b>Sweaters Outer garments</b>	6 000 000	...	200% stock KX 70 000	To be investi- gated	Very good quality imported goods are at a lower price. Needs ad- vertisement
<b>KICOME</b>	<b>Kisumu</b>	<b>Cotton fabrics Blended polyester fabrics</b>	KSh 40 000 000	-	50% but after invest- ment	-	Prices too high for world competition
<b>Makuru Industries</b>	<b>Makuru</b>	<b>Blankets Travel- ling rug</b>	(7 000 pcs/emp)	-	-	-	

Food Industries

Firm	Location	Product	Annual sales volume	Exports	Excess capacity	Possibilities of subcontracting	Comments
Retail Box	Thika	Tin boxes	...	70% - K. Cammors	-	-	-
Kenya Cammors	Thika	Tinned pineapples	100 000 t	100%	Extension	-	Already on the world market
Chemillil Sugar Co.	Kisumu	Non-refined sugar	£K 4 000 000	-	20%	-	-
Makuru Oil Mills	Makuru	Vegetable ghee Oil cakes	2 160 t 9 600 t	- 100%	- -	-	To be investigated
Foodfood	Muiyasha	Dehydrated vegetables	600 t	75%	300%	-	-
Kenya Cereals	Mochokos	Marmalades Canned fruits etc.	£K 286 000	40%	200%	-	To be investigated
P.J. Products Nairobi	Nairobi	Cornflakes etc.	£K 200 000	To surround- ing countries	-	-	-

Hides and skins

Plant	Location	Product	Annual sales volume	Exports	Excess capacity	Possibilities of subcontracting	Comments
Nabura Chavon Tanning	Nabura	Hides and skins	KSh 6 000 000	100%	100%	Already done	
Nabura Tannery	Nabura	Leather garments, shoes etc.	KSh 600 000	Via tourists	50%	Too small	
Dalaya Tanneries	Thika	Tanning skins	KSh 60 000 000	85%	15%	-	



Handicrafts

Firm	Location	Product	Annual sales volume	Exports	Excess capacity	Possibilities of subcontracting	Comments
Mikayuni Cario Craft	Nairobi	Bags Wallets Belts slippers	...	-	Yes	-	Prices seem too high. No standards. No catalogues. Five workers
YMCA	Nairobi	Handicrafts	KSh 1 000 000	Directly and via tourists	-	To be investigated	

Miscellaneous

Firm	Location	Product	Annual sales volume	Exports	Excess capacity	Possibilities of subcontracting
Ezi vinyl Products Limited	Mombasa	Floor tiles	1974 - 300 000 1975 - Nil	Zambia	100%	To be investigated Needs raw material (chalk,) which cannot be imported
Fisheries	Mombasa	Storage and shipping of Tuna fish	...	100% 100%	...	Creation of a Kenyan fishing fleet? Already sub-contracted
Tombooth	Mombasa	Storage and shipping of cattle skins	...	...	...	No figures re-leased. Subsidiary of Bulleys
E.A. Wildlife	Nairobi	Pictures Postcards Handicrafts	KSh 4 000 000	75% (to individuals)	...	-
Zimmerman	Thika	Taxidermist	£K 360 000	100%	...	-
Kenya Fishing Flies	Molo		...	...	...	-
Pyrethrum Mark Board			...	...	...	-
Tototo Base Industries	Mombasa	Handicrafts	...	...	...	-

Will supply catalogue and full information

Miscellaneous

Firm	Location	Product	Annual sales volume	Export	Excess capacity	Possibilities of subcontracting	Comments
Kenya Glassworks	Nairobi	Bottles	10 000 000 bottles	50%	Overloaded	-	Not interested at all
Litbo	Nairobi	Printing Books	...	...	...	-	
Kenya Aparies	Nakuru	Mosquito coils Insecticides	EX 120 000	40%	100%		

Annex II

SUMMARY OF VISITS - WESTERN EUROPE

France

Société Moret et Boyveau  
53, bd. Victor Hugo  
06 GRASSE

This is one of the leading firms making flower extracts for perfumes. The expert was told that the market is expanding but is still highly speculative. Technically, the flowers should be treated on the site. The expert was advised to have a look at the wood and vegetable extracts.

Etablissements Tourmaire  
06 GRASSE

Tourmaire is a firm highly specialized in the design and construction of extraction plants. They are making installations to produce every possible extract from flowers, wood and vegetables. The average cost of such an installation producing about 600 tons of extract per year is KSh 0.7 - 1.4 million. It is possible to make extracts from sandalwood, rose wood, pepper trees, eucalyptus, cypress, parsley, celery, carrots, vetiver, patchouli, basil, ginger and tarragon.

Representatives of Tourmaire are quite ready to visit the Pyrethrum Board in Nakuru, if it shows any interest in this matter.

Le Printemps  
102, rue de Provence  
75009 PARIS

These big stores were very interested in subcontracting shirts. They found the quality of a shirt bought in Mombasa quite acceptable, but some modifications of shape (simple cuts, collars with visible sewing etc.) are needed. The price is obviously a key point: it should be not more than 13 French francs (about KSh 22) delivered duty paid in Paris. A test with a lot of 4000 shirts could be planned. There is already an active market with the Far East. If Kenya could be successful with shirts, the door would be opened for other garments.

The buyer, who is familiar with the production of handicrafts in Kenya, feels that the product is not original enough and is made in too small quantities (they buy from China). The wooden furniture is too voluminous to be attractive.

The expert suggests that the KEFC, should invite the shirt manufacturers of Mombasa to make offers to this company.

Institut de Recherches pour les Huiles et Oléagineux  
IRHO  
11, Square Pétrarque  
75016 PARIS

IRHO has world experience in technical assistance for planting programmes. It is competent to carry out soil surveys, to make agronomic, technological and economic studies, and to supply technical advice on selected, high-yield planting material, land development, construction of oil mills etc.

The company suggests that it would be very much in Kenya's interest to grow large quantities of oil seeds giving edible oils and also high value cakes for cattle (e.g. soya beans).

Rosieres  
P.O. Box 44  
13001 BOURGES

This is a well-known firm for the manufacture of stoves. They planned to build a stove assembly line in Nairobi, but their associate went bankrupt. They are quite ready to resume this project with a serious firm.

Peugeot  
75, av. de la Grande Armée  
75016 PARIS

The company expressed its readiness to provide know-how.

Motobécane  
16, rue Lesault  
BP 202  
93502 PANTIN

This is a well-known bicycle manufacturer, which has built a plant in Bangui. Quite ready to give all necessary information for a turn-key plant (production over 10,000 units a year).

Turner Sports  
116, bd. Haussmann  
75008 PARIS

The buyer is very interested in purchasing safari suits to meet the frequent requirements of his customers. The expert suggests that the KEPC should send offers to him.

The producers of his cheap sporting articles are mainly in Pakistan. However, he gave the expert the addresses of the following producers, with whom Kenyan manufacturers could get in touch:

Sté Donnay  
24 SIGNY L'ABBAYE

Sté Gauthier  
67, rue d'Estienne D'Oves  
75 BOIS-COLOMBES

Sté Siane  
12, rue Legrange  
75 PARIS

Fédération Nationale du Bois  
33, av. Kléber  
75 PARIS

This association is interested in everything made of wood.

Fédération des Industries Lourdes du Bois  
30, av. Marceau  
75008 PARIS

This association is interested in plywood, particle boards, doors, veneered boards etc.

Fédération des Industries du Jouet  
47, bd. Berthier  
75017 PARIS

Following the expert's request this association wrote to 15 members and toy manufacturers. None of them answered.

Paramine  
55, rue de Châteaudun  
75009 PARIS

This company, which specializes in drilling, had a contract from the United Nations, New York, and has found high pressure and boiling water near Vairasha. It still has some technicians in Kenya and is prepared to make drills for water research and to train local people. The company representative will be invited to meet ISPC.

Speichim  
106, rue d'Amsterdam  
75009 PARIS

This is a well-known engineering firm that builds turn-key plants all over the world. They are not interested in subcontracting steel structures, because they could not have the direct contact that is necessary when working from drawings.

They have, however, raised an interesting and general issue for Kenya. To fulfil the increased number of contracts they are getting, these engineering firms are extremely short of manpower for the erection (with a very minimum of supervision) of plants. A Kenyan firm might be interested in supplying the workers, who would learn a lot doing such work.

There is a similar manpower problem in engineering work for the Middle East; offers from big Kenyan civil engineering companies would be certainly appreciated.

Mare Nostrum  
06 BRAULIUM

This firm imports fibreglass boats. They will write to Kenyan firms but the market is depressed, especially for cheaper boats.

Parneaux Solaires  
06 ANTIBES

This small firm makes very simple solar heaters. If there is a market for construction in Kenya, they could provide know-how and design.

Graines Clause  
06 ANTIBES

This small manufacturer already has some production in Kenya, which he wants to increase. A trip to Kenya is planned for the end of June; the expert suggested that they should contact ISPC.

United Kingdom

Commonwealth Development Corporation (CDC)  
33 Hill Street  
LONDON W1

One of the managers was interested to hear about the possibilities of SCOPE for engineering contracts in East Africa. He asked SCOPE to write to the head of engineering for CDC.

Another manager mentioned two agricultural projects in Kenya. These unfortunately went wrong, and he is somewhat reluctant to study similar projects, but he could be profitably informed of the latest developments by his correspondent in Nairobi.

Selfridges  
40 Duke Street  
LONDON W1

Selfridges buys everywhere in the world. They could be interested in Kenyan shirts, if the price is about \$US20 a dozen.

They advised trying a joint venture in Kenya with:

Jardin's Mathesson  
Textile Alliance Ltd  
Star House  
KOWLOON - Hong Kong

Kenya High Commission  
45 Portland place  
LONDON W1

The commercial attaché complains that he needs more information from Kenya, if he is to be more efficient.

He recommended making contact with the following firm, which is still interested in investments in the food industry:

Rieber and Sons  
Toro Food Division  
Nostegatan 58  
BERGEN  
Norway



Towler and Son Ltd  
Torse Lane Industrial Estate  
Telford Road  
MILTON-ON-SEA Essex

The company is interested in fibreglass boats and will write to Specialized Mouldings.

It produces small- and medium-size boilers and exports some of them to East Africa. It is ready to subcontract some boiler accessories in Kenya and should be sending documentation to the expert.

Wiggles Worth and Co. Ltd.  
30-34 Mincing Lane  
LONDON EC 3

This firm produces and exports to Kenya equipment for civil engineering (concrete mixers etc.) They are ready to subcontract accessories, supports etc. The experts were advised to contact Wiggles Worth, P.O. Box 30092, Nairobi.

Federal Republic of Germany

Otto Versand  
Wandsbeckerstrasse 2  
HAMBURG

The company is interested in Kenyan products, provided they receive firm proposals.

Martino Caro and Co.  
Steindamm 80  
P.O. Box 101140  
2000 HAMBURG 1

These large engineering firms have contracts in Africa (they built the "670 Hotel" in Nairobi). The area director was extremely interested by the documentation on SCOPE (steel structures, oil storage tanks), in view of some contracts in Zambia. But the Federal Republic of Germany is very competitive in steel structures and this sort of manufacturing capacity is already available in the Middle East.

Africa-Verein E.V.  
Klosterwall 4  
2 HAMBURG 1

The director is very aware of the problems in Africa. He does not conceal the importance of the political aspect in Africa, mainly when dealing with small- and medium-size German firms. The large firms are big enough to handle their own risks and guarantees.

He advises making contact with Achelis and Sons of Bremen, about investment in fruits and vegetables.

It would be a good idea to contact his representative in Kenya:

Wolfgang Schneider-Barthold  
P.O. Box 40031  
Riverside Grove  
NAIROBI

Hansen and Co.  
Münchebergstrasse 10  
HAMBURG

This foreign trade company is more interested in exports to Kenya, but is also interested in investments in Kenya and has taken copies of the following project descriptions made by ISPC:

export-oriented alcohol plant  
ethyl alcohol  
yeast manufacture  
maize mill  
leather tanning

They have an office in Nairobi:

Hansen East Africa Ltd  
Tom Mboya St.  
NAIROBI

Yachtagentur  
Stoylle Bruhn  
Hundenburg Ufer  
23 KIEI

The import of fibreglass boats from Florida, United States of America, is the sideline of this representative of a large road freight carrier. He is extremely interested in the products of Specialised Mouldings but the prices are very high.

According to him, the Specialized Mouldings "Searaider 21" should not cost more than DM 10,000 f.o.b. Mombasa. (It would be worth knowing if Specialised Mouldings is able to meet such prices.) The finish should be extremely good.

Norway

Norwegian Textile Council  
Frinsensgt. 2  
IV OSLO

The export director was impressed by a shirt made by National and Season Garments and by the price given by this firm (less than \$US 3 each). The expert gave him the shirt for circulation to members of the association.

Norwegian Furniture Makers Association  
Grafvedels Platz 6  
OSLO

The director was very interested in Usuri's catalogue. According to him, Norwegian wages are so high that it is possible to subcontract furniture assembly for shipping in containers.

He advises contacting the following manufacturers:

Arna Bruk  
5260 INDRE ARKA

Blindheim  
6020 VES SUND

Brunstad Fabrikker  
6220 STRAUMEGJERDE

Nordas Industrier  
5050 WESTTUN

Sandvik  
6172 HAVOLL

Stokke  
6010 SPEJELKAVIK

It would be also interesting to contact:

Wigdan A/S  
STC Hvidkil Dvej 64  
DK 2400 NV. COPENHAGEN Denmark

The company has built a furniture plant in Accra (Ghana) and might be interested in investing in Kenya.

Norwegian Agency for  
International Development (NORAD)  
Fridthof Nansens Vei 14  
OSLO 3

The agency adviser is very aware of the investment projects in Kenya, some of which, according to him, are already ten years old. But he took copies of the following project descriptions:

Fruit and vegetable processing  
Pharmaceutical industry  
Plywood and sawmill  
Asparagus growing and canning

He mentioned the following development companies created to export their know-how and experience:

Fideco (fisheries)  
Forindeco (forest and forest industries)  
Hydeco (hydro-power and industrial development)  
Norhouse (housing development).

#### Netherlands

Centrum tot bevordering van de import uit ontwikkelingslanden (CBI)  
(Centre for the Promotion of Imports from Developing Countries)  
Coolingsingel 58  
P.O. Box 30009  
ROTTERDAM

The Centre is an agency of the Ministry of Foreign Affairs. It issues a monthly news bulletin with the latest information about export fairs etc. Exporters in developing countries or importers in developed countries can contribute by indicating products they want to export or import. The mailing list of the CBI News Bulletin shows only six addresses in Kenya. The KEPC can request CBI to extend the mailing list if they think this is useful. Kenyan companies interested in export to the Netherlands can be incorporated in the CBI filing system, which is open for Dutch importers. They should fill in a company profile questionnaire, a sample of which will be sent to KEPC. CBI helps to organise fairs for developing countries.

Most of the cost is borne by the Dutch Government. At the end of this year a fair will be held for wood products; any interested parties should contact CBI.

v. Hamburg B.V.  
Hoogwerfsingel 2  
P.O. Box 29  
SPIJKENISSE  
Telex 24371

This company is very interested in co-operating with Specialized Mouldings in Kenya, because Specialized Mouldings has designs which are close to v. Hamburg designs. Assuming Specialized Mouldings statement that their prices are 20 to 30 per cent below United Kingdom prices is correct, this affair looks very promising, because v. Hamburg has the sales organization ready to restart their activities for boats. If an offer from Specialized Mouldings confirms their low prices, v. Hamburg will probably send one of their managers to Kenya to discuss further co-operation.

Unikap  
Den Hulst 48  
NIEUWLEUSEN, Ov.

This company will investigate the possibilities of subcontracting to Glad Home, but does not seem to be very interested.

Batavus  
Postbus 515  
HEERENVEEN  
Telex 46026

They will investigate the possibilities but do not seem very interested.

Rijwielfabriek Pon  
Nyverheidsweg, Zuid 3  
AMERSFOORT

This company has a medium-size factory; it is one of the oldest bicycle factories in the Netherlands and is known for its high quality. The director is interested in the possibility of subcontracting. He is willing to transfer his knowledge to Glad Home Works and to train personnel, but he will not invest or add money.

After the financial side has been arranged in principle, he is ready to go to Kenya to analyse the possibilities of Glad Home Works. He is convinced that production could be improved and that this would result in a much lower price.

Tuning - Aalsmeer  
Postbus 41  
AALSMEER  
Telex: 12679WT  
Cable: Tuning-Aalsmeer

This company is one of the biggest exporters of flowers in the Netherlands; however, it also buys flowers from Australia, South America and other countries. Past experience with Kenya has shown that the quality of flowers from Kenya is good but that the packing is poor. The company is willing to look into the possibilities again after receiving new offers from Kenya, stating which flowers can be supplied with prices free Amsterdam airport. Tuning is also interested in Kenyan prices for fruit and vegetables.

Bol en Scharp  
WOLVEGA

This manufacturer of style furniture already has suppliers for knock-down furniture in Asia and his supply is covered for a year. Nevertheless, he is willing to look into co-operation with Kenyan manufacturers and wants to have more detailed information.

A. H. J. Beumer  
Wienebrink 53  
ENSCHDEDE

This company is interested in parquet floors and wooden wall coverings and wants to know which of the following types of wood are available in Kenya:

Missanda, teak, kambala, muhuhu, keroewing,  
jarrah, afromesia, meerusse, panga panga,  
merbau and peroba de campos.

Annex III

POTENTIAL FOR FRUIT AND VEGETABLE PROCESSING IN KENYA

(Information provided by the Industrial Survey and Promotion Centre (ISPC))

Introduction

Although Kenya is essentially an agricultural country, considerable industrial development has already taken place. During the 1974-1978 Development Plan period the growth in gross value of marketed crop products is projected to be 7.2 per cent per annum, reaching a total of KSh 2,130 million (\$US300 million) by 1978. Value added by manufacturing industry, as projected in the Plan, will grow by 10.2 per cent per annum to reach KSh 2,800 million (\$US390 million).

Kenya has been highly commended for its stability and its economic growth. Government policy favours private investment, including investment from overseas, and in particular joint ventures between local and foreign investors. Infrastructural facilities, like communications, power supply and education, are progressing steadily and have been developed to serve the growth of modern industry. Increasing importance is being placed on rural development and employment creation.

With a total area of 582,000 square kilometres and altitudes of up to 3000 metres and more, Kenya is a country of tremendous climatic diversity, with corresponding potential for horticultural production. Twenty per cent of the land, or about 12 000 000 hectares, receives more than 760 mm of rainfall per annum, and there are additional possibilities for irrigation. Since independence in 1963, the accent has been on small-scale farming, which will remain very important, but land is also available for large-scale agro-industrial enterprises and there are areas reserved for co-operative schemes that could be used for similar purposes.

Fruit and vegetable processing in factories now existing or under construction represents an annual output of about KSh150,000,000 (\$US21,000,000), mostly for export, with canned pineapples as the main product, but including dehydrated vegetables, passion fruit juice and other juices, jams and various other canned products.

In the context of world food shortages and the general scarcity of good areas for crop cultivation on one hand, and the favourable conditions in Kenya on the other, foreign companies are invited to consider this country as a base for their operations. Opportunities are particularly good for companies with a strong market position or specialized experience in food marketing and needing new or additional production facilities, but considerable opportunities also exist for companies with a strong background in food technology, management expertise or finance.

### Products and markets

For large-scale processing plants, exports to industrialized countries will represent the main outlet. Market demand will therefore be the starting point for product selection and assortment. But the possibilities for growing the crops in question must, of course, be ascertained. Among the crops identified as having high potential are: vegetables of various types including asparagus, french beans, broccoli, and brussels sprouts, tomatoes, brinjals, capsicums and chillies, onions, mushrooms, and possibly potatoes, as well as avocados, strawberries, various tropical fruits like mangoes, passion fruit, lime, other citrus fruits and temperate zone deciduous fruits to a lesser extent, and nuts.

Some of these crops give exceptionally high yields in Kenya and can be cropped twice yearly, or over extended periods of time. Characteristics of processed products, which would have additional competitive strength, include a high value/weight ratio, as in concentrated or dehydrated products, or products of a relatively expensive nature, like asparagus and mushrooms. Other advantages include cheap labour costs and reasonable building costs (because of the temperate climate).

Although industrial processing should normally be based on crops cultivated particularly for that purpose, the possibility of combining processing with production for export in the fresh state should be kept in mind, as such exports have recently increased rapidly, reaching 2,300 tons in 1973.

Processing up to the ready-to-serve stage, for the consumer or catering markets, is also possible because of the good growing conditions for horticultural raw materials, the low labour costs and the availability of additional raw materials like meat, milk, fish and cereals. Examples of such



products could be soups in powder or canned, canned prepared dishes, fruit salads, marmalades etc.

The local market for processed fruits and vegetables is estimated at some KSh15 000 000 per annum, rising in five years to about KSh23 000 000 per annum. While a minor part is still imported, local manufacturers supply the bulk of the products consumed in the country and have also developed interesting sales in nearby export markets. This situation is expected to continue. But additional possibilities exist for new products with a very wide market appeal.

Suggested projects

The feasibility of the following project ideas has not been evaluated in detail and should therefore be taken as only indicative of the possibilities.

Dehydrated vegetables. A processing plant based on large-scale cultivation, probably combined with cultivation by small-holders in nearby areas. Products to be exported, at least until local manufacture of soups etc. has started.

Crop required: 32,000 tons  
Area required: 4,000 acres  
Investment, land preparation: KSh 16 000 000  
Investment, plant : KSh 30 000 000  
Investment, total : KSh 46 000 000  
Output value/export value : KSh 25 000 000 per annum

Canned asparagus. Asparagus cultivation can be developed in several areas of the country. A canning project could be combined with fresh export and/or export of salted asparagus for use in the production of soups overseas. But it could also be a separate enterprise, or be combined with canning of other vegetables. The following figures refer to a canning project alone:

Crop required: 1,500 tons  
Area required: 500 acres  
Investment, land preparation : KSh 2 000 000  
Investment, plant : KSh 2 000 000  
Investment, total : KSh 4 000 000  
Output value/export value : KSh 8 000 000

Tomato paste. Production of tomato paste has so far not been very successful in Kenya, but recent investigations tend to indicate that this has been due to the use of less favourable varieties, and that very good results can be obtained with specialized, large-scale cultivation. Figures for such a venture could be of this nature:

Crops required: 72,000 tons  
Area required: 2,000 acres  
Investment, land preparation: KSh 8 000 000  
Investment, plant : KSh 20 000 000  
Investment, total : KSh 28 000 000  
Output value/export value : KSh 38 000 000

Mushroom canning. According to expert advice, the potential for mushroom cultivation is very high in Kenya, and within a few years an output of 10,000 tons of canned product per annum could be envisaged. This particular cultivation requires very little land, but is labour intensive and requires an abundance of agricultural waste. As a model project the following figures have been suggested:

Crop required: 1,000 tons  
Area required: 10 acres  
Investment, cultivation : KSh 5 500 000  
Investment, plant (canning): KSh 3 500 000  
Investment, total : KSh 9 000 000  
Output value /export value : KSh 10 000 000

Mango processing. Considerable quantities of common mangoes, perhaps some 30,000 tons per annum, are already available at low cost (well below KSh500 per kilogramme). Hence, there is an interesting opportunity for development of processed mango products, like mango nectar, but further studies are needed with regard to markets as well as technology.

Prepared foods. The availability of various vegetables and fruits, plus Kenya's supply of meat and cereals, and even fish and seafood, combined with low labour costs, should make the production of ready-made food products very attractive. The possibility of establishing a really competitive source of supply would seem realistic, particularly for high value to weight ratio products, like an assortment of dehydrated soups.

The scope and size of such ventures would depend on the markets available, in the case of transfer of existing production facilities, or the marketing potentials in cases where new or additional installations would be considered.

#### Project development

Specific areas of the country may be indicated for the cultivation of any particular crop, based on experience and research. But the individual investor may also wish to undertake his own investigations and tests.

In any case, the Ministry of Agriculture, and its Horticultural Crops Development Authority, will be able to give valuable assistance.

The availability of land should also be discussed with the Ministry of Lands and Settlement. While possibilities for large-scale cultivation may be limited in those areas which are already settled with small-holders, there is a variety of other possibilities for finding the right type of land. Several co-operative schemes may also offer interesting possibilities for large-scale production, and the Ministry of Co-operatives would be able to assist with information in this regard.

Kenya's packaging industry is well equipped to supply additional food processors. There are efficient producers of cans and plastic and paper containers with a high standard of printing. They are dependent on imported raw materials apart from paper which will be available from Kenya's new pulp and paper mill.

The Government would welcome the establishment of food processing units serving export markets. Such companies would be among those eligible under the Manufacturers Export Compensation Scheme to receive payment from the Government of 10 per cent of the f.o.b. value of exported locally-manufactured goods. The Government may also be prepared to participate in suitable new ventures through development institutions. Among these are the Industrial and Commercial Development Corporation (ICDC), the Industrial Development Bank (IDB), the Development Finance Company of Kenya (DFCK) and the Agricultural Finance Corporation (AFC).

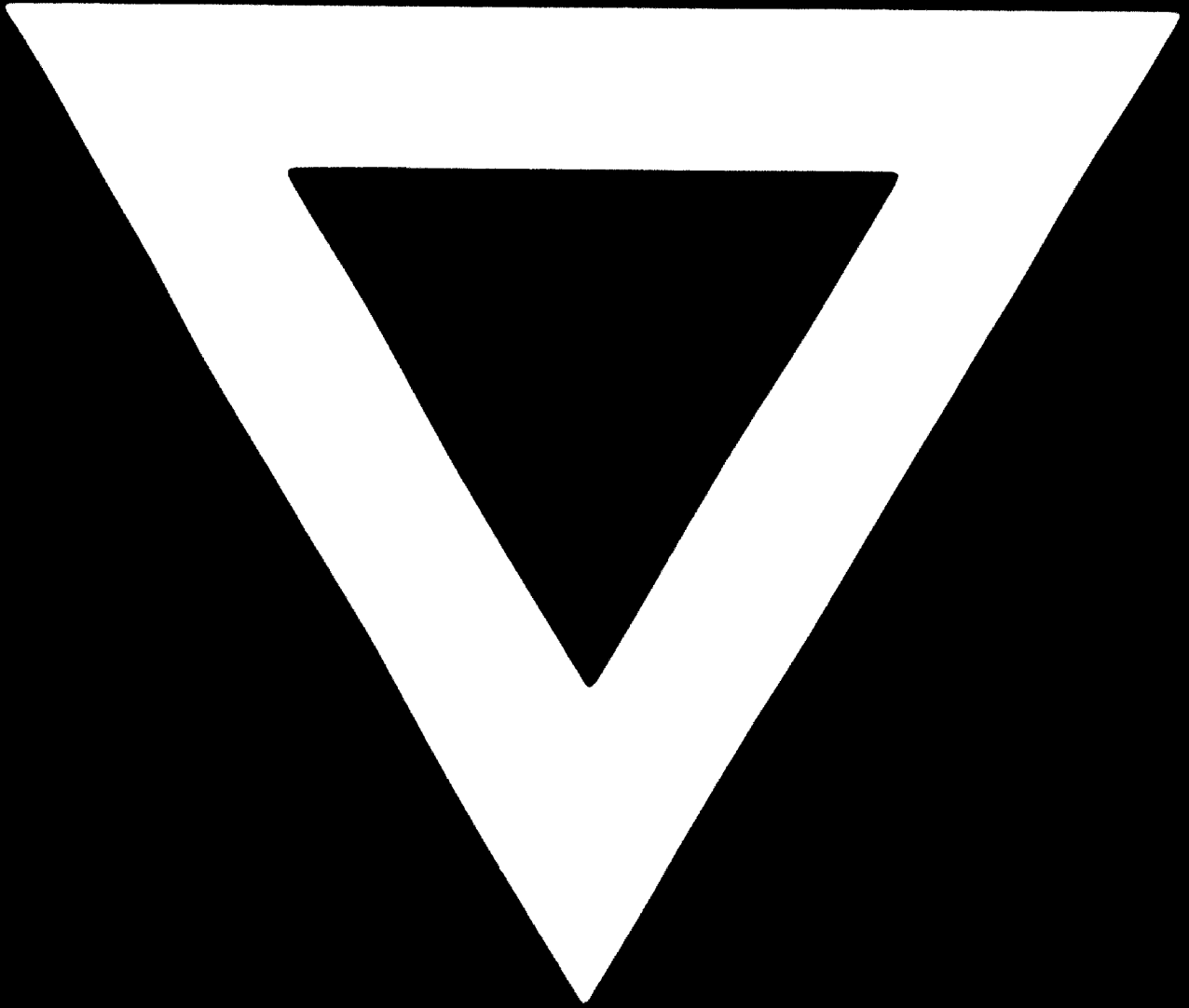
Further information on the conditions for investing in Kenya can be obtained from ISPC, which will also assist local and foreign investors with details about this particular industrial sector, and give guidance to potential

investors wanting to carry out their own pre-feasibility studies. The ISPC would be grateful to receive information about the background and experience in marketing, technology, management and finance, of any interested party.

The address is:

Industrial Survey and Promotion Centre  
Ministry of Commerce and Industry  
P.O. Box 30430  
Nairobi, Kenya.





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