

CLASSIFICATION
PROJECT EVALUATION SUMMARY (PES) - PART I

931191001501
Report Symbol U-447

1. PROJECT TITLE <div style="font-size: 1.5em; font-weight: bold; text-align: center;">PD-AA6-352</div>	2. PROJECT NUMBER 931-1191	3. MISSION/AID/W OFFICE DS/RAD
4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY)		
Off-Farm Employment		
51-1 10/5/80		
<input checked="" type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION		

5. KEY PROJECT IMPLEMENTATION DATES A. First PRO-AG or Equivalent FY <u>77</u> B. Final Obligation Expected FY <u>81</u> C. Final Input Delivery FY <u>81</u>	6. ESTIMATED PROJECT FUNDING A. Total \$ <u>1,703,966</u> B. U.S. \$ <u>1,703,000</u>	7. PERIOD COVERED BY EVALUATION From (month/yr.) <u>8/77</u> To (month/yr.) <u>3/80</u> Date of Evaluation Review
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8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., telegram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
See pages 12 and 13		
1. Process FAF and PIO/T for extension of project at the agreed upon level of effort through the fourth year.	C. Barton	Sept. 1980
2. Consult with Michigan State University on the desirability of:		76
A. Increased attention to less costly, more flexible data collection and diagnostic procedures; development of methods for providing quicker response for services to small firms; clarity, packaging and timeliness of output information for use by LICs.		
B. Increasing MSUs capability to respond to Mission requests for assistance in policy analysis; identify and utilize persons with skills related to small scale industry development and off-farm employment generation.	C. Barton	October 1980
3. In connection with 2B, review DS/AGR completed projects (211 (d) grants) with Tuskegee, Southern U. and Virginia State U.	C. Barton	October 1980
Clifton Barton, DS/RAD, Project Officer <u>ClB</u> Paul Fritz, DS/RAD, Deputy Director <u>PF</u>		

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS <table style="width: 100%;"> <tr> <td><input type="checkbox"/> Project Paper</td> <td><input type="checkbox"/> Implementation Plan e.g., CPI Network</td> <td><input type="checkbox"/> Other (Specify) _____</td> </tr> <tr> <td><input type="checkbox"/> Financial Plan</td> <td><input type="checkbox"/> PIO/T</td> <td>_____</td> </tr> <tr> <td><input type="checkbox"/> Logical Framework</td> <td><input type="checkbox"/> PIO/C</td> <td><input type="checkbox"/> Other (Specify) _____</td> </tr> <tr> <td><input type="checkbox"/> Project Agreement</td> <td><input type="checkbox"/> PIO/P</td> <td>_____</td> </tr> </table>	<input type="checkbox"/> Project Paper	<input type="checkbox"/> Implementation Plan e.g., CPI Network	<input type="checkbox"/> Other (Specify) _____	<input type="checkbox"/> Financial Plan	<input type="checkbox"/> PIO/T	_____	<input type="checkbox"/> Logical Framework	<input type="checkbox"/> PIO/C	<input type="checkbox"/> Other (Specify) _____	<input type="checkbox"/> Project Agreement	<input type="checkbox"/> PIO/P	_____	10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT A. <input type="checkbox"/> Continue Project Without Change B. <input type="checkbox"/> Change Project Design and/or <input type="checkbox"/> Change Implementation Plan C. <input type="checkbox"/> Discontinue Project
<input type="checkbox"/> Project Paper	<input type="checkbox"/> Implementation Plan e.g., CPI Network	<input type="checkbox"/> Other (Specify) _____											
<input type="checkbox"/> Financial Plan	<input type="checkbox"/> PIO/T	_____											
<input type="checkbox"/> Logical Framework	<input type="checkbox"/> PIO/C	<input type="checkbox"/> Other (Specify) _____											
<input type="checkbox"/> Project Agreement	<input type="checkbox"/> PIO/P	_____											

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)	12. Mission/AID/W Office Director Approval Signature _____ Typed Name <u>Jerome T. French, DS/RAD</u> Date <u>10/5/80</u>
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BACKGROUND

The Office of Rural Development and Development Administration and the Department of Agricultural Economics of Michigan State University signed a Cooperative Agreement (AID/ta-CA-2) on August 15, 1977. The underlying Basic Memorandum of Agreement (AID/ta-BMA-4) became effective May 7, 1976. The life of the project was to be four years at a total cost of \$709,000. The Cooperative Agreement was subsequently amended on August 23, 1978, with an expanded scope of work and an increase in the total funding level to \$1,459,000 for the four year period.

The Cooperative Agreement mode was intended to provide a flexible vehicle for responding to the needs of regional bureaus and missions in what had been previously identified by missions as a critical problem area in rural development. Under this type of contractual mechanism, the project outputs are not completely specified in advance but are determined in a collaborative manner by the AID project officer and the cooperating university in response to regional bureau and mission requests. Through this mechanism, it was felt that the demands of the missions and regional bureaus for information and consulting assistance in the area of off-farm employment generation could be met effectively, while the interests of the university in knowledge generation and training could likewise be accommodated.

This evaluation is intended to be an in-depth assessment of the performance and outputs of the project during the first thirty months.

The evaluation will I) review the goals and purposes of the project as specified in the Scope of Work for the Cooperative Agreement and the original Project Paper; II) assess the performance of the Cooperator in achieving the project objectives; III) identify problems and issues which have surfaced during the project to date; and IV) provide recommendations on courses of action during the remaining life of the project.

I. Project Goals and Purposes:

The goal of this project is to enhance the ability of AID missions and LDC institutions to identify, design, implement, and evaluate programs and projects to generate rural off-farm employment and income opportunities that benefit the rural poor. The specific project purposes as stated in the Project Paper are: (a) to assist mission programs by providing both missions and regional bureaus with improved access to expertise on rural off-farm activities; (b) to marshall and disseminate existing knowledge on rural off-farm activities in a convenient form for practitioners; and

(c) to generate new knowledge relating to rural off-farm activities in the context of program-relevant applied research.

Success in achieving these purposes was to be reflected in a) a network of consultants and researchers providing rural off-farm expertise that will be in existence and functioning; b) specific information and findings in the form of state-of-knowledge papers, manuals, and other published materials that have been developed on the subject of rural off-farm activities; c) information and materials on rural off-farm activities that will have been distributed through existing AID information channels and through newly developed mechanisms to ensure USAID and LDC access to these materials; and d) the developed information being utilized by USAID missions and LDC project managers with support as necessary from network consultants to identify, design, implement, and evaluate rural off-farm programs and projects.

Measures of overall goal achievement were to include larger number of AID supported Off-farm Employment projects with tighter conceptualization and stronger empirical bases; reduced implementation problems due to inadequate design and monitoring information; better impact evaluation information, following from projects, that aids in policy and program formulation; and ultimately, a reduction in the priority which missions give for centrally supported assistance in dealing with off-farm employment issues, implying capability to deal with them routinely.

To accomplish these goals and purposes, the Cooperator was to provide a set of interdependent technical services to develop and test guidelines for the collection and analysis of information on off-farm employment; provide consultancy services to LDC institutions and USAID missions concerning the generation of Off-farm Employment; prepare state-of-knowledge papers on off-farm employment; and disseminate the guidelines and knowledge assembled pertaining to off-farm employment and promotion of rural non-farm small-scale industry. These services were to be carried out in collaboration with local institutions and researchers in order to strengthen LDC capacities in this area, in addition to providing assistance to USAID missions.

II. Project Progress:

Under the original formulation of this project, the Cooperator was to undertake a fairly limited set of activities, including in-depth applied research in two countries, two state-of-knowledge papers, the development of a roster identifying 100 potential US and LDC consultants, four regional

workshops and two international conferences, and approximately 3.5 person months per year of short-term consulting assistance. In addition, the Cooperator was expected to produce a handbook containing guidelines for collecting and analyzing information on the off-farm sector and projects, as well as an unspecified number of published papers and reports summarizing the findings and experiences of the research and consulting activities carried out under the project. Because of questions concerning the implications of the Privacy Act, the task of developing a roster of consultants was subsequently deleted from the scope of work for the Cooperative Agreement, although the cooperator was expected to help identify persons with interest and experience in off-farm employment generation and to endeavor through project activities to support the development of a functioning network of consultants in this area. This project, like most others in the DS/RAD portfolio, was designed to be "demand-driven" and capable of responding in a flexible manner to the needs and interests of USAID missions and regional bureaus.

After approximately one year of project activity, it became evident that the level of interest and demands from country missions in work relating to off-farm employment generation far exceeded original expectations. Consequently, the level of funding for the project was roughly doubled from \$709,000 to a new level of \$1,459,000, and adjustments were made in the level of effort in several of the categories of technical services being provided by the Cooperator. The principal changes were in the number of countries in which in-depth work was to take place (increased from two to four), the level of short-term consulting assistance (increased to 6 person months during the second year and 9 person months per year for the third and fourth years, and the number of state-of-the-art papers) treating off-farm employment research and programs in various geographic regions (increased from one to four to include papers on Asia, the Near East, and Latin America, in addition to the paper on Africa that was originally specified).

In reviewing the progress of the project during the first thirty months, it appears that overall the level of effort of the Cooperator in providing the technical services specified in the scope of work has been consistent with the expectations laid out in the Cooperative Agreement. However, because of the nature of requests that have been received from missions and regional bureaus, certain components of the project have been accorded more attention than originally contemplated, while others have necessarily been postponed or deemphasized. The primary difference between the activities that are currently being undertaken by MSU and the tasks specified in the scope of work is the greater emphasis and effort that has been accorded to the in-depth

applied research and consulting activities. By the end of the second year, in-depth relationships had been established in five countries (including an abbreviated study in one country--Haiti) and negotiations had been initiated to undertake a major commitment in a sixth country-Egypt.

These in-depth relations have required a high level of involvement by both the senior core staff of the project and the in-country research and consulting staff of MSU. Because of the decision, jointly worked out by the DS/RAD Project Manager and the Cooperator, to respond to mission requests to undertake the additional in-depth applied research and consulting activities, certain activities specified in the scope of work have had to be postponed. Specifically, the state-of-knowledge papers on off-farm employment in Africa and Latin America, and the regional workshops originally contemplated for these two regions have not been undertaken as scheduled. The other types of technical services specified for the first 30 months--including the short-term consulting, the international conference, and the information dissemination activities--have generally been carried out on schedule and appear to be well received by missions and regional bureaus, as well as by other professionals working in this area.

At the present time, in-depth applied research and consulting activities are underway in five countries, including Thailand, Bangladesh, Jamaica, Honduras, and Egypt. The work in Egypt, which has only recently begun, will involve an add-on to the project of approximately \$690,000 to be funded by the Mission. In all of the other countries, a high level of mission support has been provided for local data collection costs and local expenses to support the MSU consultants. The Bangladesh Mission has provided \$600,000 for local costs through a grant to the Bangladesh Institute for Development Studies. In Thailand, the Mission has provided \$500,000 for local funding through their Rural Off-farm Employment Assessment Project. The Jamaican Mission has allocated \$142,000 of counterpart funds to support the Small Enterprises Development Corporation, which is cooperating with MSU in carrying out the survey and diagnostic activities. Honduras has entered into a cost sharing arrangement with funding to be provided through their "Rural Technologies Project." The final amount of the Mission contribution has not yet been determined, but is expected to be comparable to that being provided by the Jamaican Mission. The work by MSU carried out in Haiti over a period of 9 months was supported by Mission funding of approximately \$50,000.

In addition to the consulting activities that the senior project staff members have engaged in to support the in-depth activities, consulting assistance under this project has been provided to Haiti, Barbados, Botswana, and Indonesia. In conjunction with the consulting work in Botswana, MSU has provided the services of Steve Hagblade on a long-term assignment as the rural industry advisor to the GOB under Mission funding.

The results of the initial analyses of the data flowing from these projects, have been made available in a series of working papers. In addition, the general state-of-the-art paper on off-farm employment has been completed and distributed, along with special studies relating to analyses of off-farm employment activities in Sierra Leone. Reviews of these papers by professionals in this area are generally highly favorable, and statements from both practitioners and academics indicate that they consider the published works by Liedholm, Chuta, and others at MSU to be clearly some of the best works that have been produced in this field to date.

A more detailed description of the various types of technical services provided by MSU during the first 30 months of the project, along with information on project personnel and publications, is contained in Annex I.

III. Project Impact:

As we noted earlier, the goal of this project is to enhance the ability of AID Missions and LDC institutions to identify and develop policies, programs, and projects that effectively generate off-farm employment and income opportunities in rural areas. Although it is still too early to provide a complete assessment of the impact of the project on activities of AID Missions and LDC institutions in this area, there are a number of observations that can be made regarding the probable nature of this impact.

1. First, the project is clearly providing a large body of evidence and documentation regarding the operations of small non-farm enterprises and their role in providing employment and income opportunities in rural areas. The applied research that MSU has carried out to date provides strong evidence that many types of small scale rural enterprises are efficient in their use of scarce capital resources, as well as being profitable and viable. This research has demonstrated that small rural enterprises are more important in terms of the amount of employment and income they provide to rural households than has been commonly recognized. For example, in Bangladesh, the Phase I enumeration carried out in one area of the country showed that there were twenty times more non-farm enterprises than had been previously counted. Surveys in the five other countries where in-depth work has been carried out have

uncovered 2-3 times more non-farm enterprises than previous enumerations or censuses. In terms of their contribution to income, the research by MSU has demonstrated that non-farm activities typically account for anywhere between 15-70 percent of total income of rural non-farm households and are particularly important to poorer households.

The MSU research has played an important role in establishing the case for emphasizing the promotion of small-scale enterprises as part of rural development efforts. The results of this research have influenced the thinking of practitioners within AID, the World Bank, and other donor agencies and have contributed to the basic rationale for developing approaches for stimulating the growth of small-scale rural enterprises.

It is more difficult to assess what the impact has been to date on the thinking of LDC development practitioners and researchers. MSU's in-depth research activities in the six countries where they have been (or are being) carried out so far have emphasized close relations with host country institutions, both governmental and non-governmental. We expect that within these countries, at least, the knowledge generated through this project will have an important impact on the perceptions of researchers, and development decision makers regarding the nature and importance of the rural non-farm sector. However, efforts are needed to continue to disseminate the results of these applied research activities to key decision makers and other concerned persons both within these countries and in other LDC's.

2. The second level of concern is what is the nature of the impact of the project on the development of more effective policies to support small industry development or government plans to encourage their growth. In seven of the countries where MSU has, or is involved in indepth applied research, there is a clear potential for using the results of this work as important inputs into governmental planning and policy formulation processes. In Bangladesh, for example, the director of the Bangladesh Institute for Development Studies which has received assistance from MSU in designing and implementing a detailed study of rural industries in ten thanas, is also the person responsible for writing the portion of the new Five Year Plan dealing with rural industrialization. In Jamaica, where MSU is currently engaged in indepth assistance to the Mission, the senior researcher for the project is currently a key person in the Ministry of Planning. In both these cases, the potential exists for the results of the indepth applied research to be fed directly into the planning and policy development processes of these two countries.

A similar potential also exists in Thailand. Arrangements are being made to hold a conference in November 1980 to present the preliminary findings of the project to the persons in the RTG responsible for writing their Five Year Plan for 1982-1986.

In Botswana, where MSU has contributed short-term consulting assistance as well as the services of Steve Hagblade, as the long-term rural industry advisor to the government, the applied research being carried out has already had a clear impact on a key policy decision of the government affecting rural industries. In response to a proposal by a large South African brewery to set-up operations in Gaborone, Hagblade initiated some studies of the probable impact this would have on existing employment and income opportunities. Hagblade's analyses demonstrated that the small-scale brewing industry is the most important source of rural non-farm employment and income in Botswana. His data showed that existing brewery operations are labor intensive, use scarce capital in an efficient manner, and are highly profitable. Moreover, they provide important sources of employment for women and produce a product that has a higher nutritive value than that produced by larger-scale, more capital intensive processes. Furthermore, Hagblade found that the large brewery in question when setting up operations in Lesotho had succeeded in displacing rural operations largely through a combination of predatory pricing and intimidation, rather than through more acceptable competitive practices. As a result of these analyses, the government ruled not to grant a license to the large brewery, but instead to support the existing village enterprises.

Even though a clear potential exists for the outputs of this project to have an impact on policy development and planning activities of the countries in which the indepth work is being carried out, it will take concerted efforts over the final year of the project for these impacts to be achieved. This will require, among other things, efforts to package the results of studies so they will be available in a form that can be used by policy makers and planners, a concerted effort to disseminate these results, and a continued stress on the development of mechanisms to involve key decision makers in the analyses and applications of these and future applied research findings.

3. The third level of impact that needs to be considered is the impact of this project on the development of rural enterprise, project initiatives by Missions and LDC organizations. The original intent of this project was to support in a number of ways the efforts of AID Missions to design, implement, and evaluate rural enterprise projects. A principal focus was to be on providing information that would be useful for project development and implementation; including both information on the operations of firms and the identification and analysis of the constraints on their operations, and

information on the results of past and current experiences in promoting small enterprise development. The impact of the project in this area has been mixed. In some cases, such as Bangladesh, the results of the applied research activities have not had as favorable an impact on project development as they could have. In other cases, such as Honduras and Jamaica, there are strong indications that the applied research supported by this project is providing important inputs to both the design and implementation of Mission activities. In the cases of Thailand and Egypt it is still too early to assess the impact of the applied research on Mission efforts to develop projects.

There are several lessons which have emerged thus far from the experiences of carrying out the indepth applied research activities. First, a certain amount of flexibility is needed in both the design and implementation of these activities. In some of the larger efforts it has been difficult to change the direction of research activities once they were underway, even when more fruitful approaches have become evident. Partly this has been due to contractual requirements and partly to the problems of changing directions when large numbers of persons and tasks are involved. This suggests that greater care should be taken to prevent applied research efforts from becoming excessively large.

Secondly, AID Missions vary tremendously in their ability to use applied research findings. In cases such as Honduras, the Mission has staff who are highly trained in research and its applications and consequently this Mission is able to achieve a significantly higher benefit return from this applied research services this project has provided. In other cases, Missions have not had staff available with the time or background to direct the applied research resources to their needs or utilize the outputs. In these cases, there apparently is a need for projects of this type to provide additional resources to supply some of the kinds of operational expertise and focus which the Missions are not able to deliver.

IV. Problems and Issues:

There are several issues that need to be considered in assessing the effectiveness of this project in achieving its goals and purposes.

A. The first issue concerns the relation between the applied research and consulting activities carried out under the project and the needs of Missions and LDC institutions for assistance in identifying, designing, implementing, and evaluating off-farm employment projects and policies. The methodology that MSU has been in the process of developing is intended to relate directly to the process of project and

policy development. It appears, however, that there are a number of practical problems that must be overcome, if the project is going to achieve this objective:

1. There is a need to be more specific about intermediate outputs of the in-depth applied research. An attempt is being made under this project to gear data collection to AID project development cycles. However, even if this is done, the tie-in with project development activities is lost if the results of the analyses are not made available in a timely manner to persons who are responsible for identifying and developing new projects.

2. This information needs to be packaged in a form that is readily usable by practitioners. Both these problems have been encountered in the Bangladesh project, where detailed attention was given to the design and implementation of the various surveys, but inadequate resources were allocated to the analysis of the survey data and packaging of the results

3. There is a need to focus on the development of research approaches that are less costly to implement and provide more rapid feedback to persons concerned with the operational problems. The work in Jamaica is currently analyzing implications of alternative survey methodologies for the accuracy of survey results, cost, and timeliness. The work in Thailand is also providing a test of the effectiveness of alternative data gathering techniques and methodologies. However, additional attention needs to be directed to the development of more rapid, less costly survey methods as well as non-survey data collection procedures and case studies to supplement survey data, particularly with regard to the analysis of the policy and institutional environment in which small firms operate. Although there has been an attempt to incorporate the perspectives and approaches of other social science disciplines, such as anthropology, the heavy emphasis on survey methodologies and quantitative approaches has resulted in fewer resources being devoted to efforts to experiment with and incorporate the approaches and methods of other disciplines, which might offer advantages in certain situations over the methods developed to date.

B. The primary emphasis of this project is providing assistance to missions and LDC institutions to improve the processes of project and policy development, with entrepreneurs and workers engaged in non-farm activities benefitting primarily through the improved projects and policies that this project should help to generate. However, there is still an issue of whether or not the applied research and consulting activities under this project could be structured to provide benefits earlier to small firms and workers, rather than putting off the possible rewards to the future after follow-on projects and policy reforms are in place. This relates to the earlier discussion of providing quicker

feedback and better packaging of results to support project and policy development. Because of the heavy drain on the time (and patience) of the firms who are called upon to supply the information during the intensive surveys carried out under this project, it would appear desirable and sensible to attempt to speed the flow of benefits to firms participating in this process. The project in Honduras is providing some suggestions as to how this might be accomplished. With the development of the data collection and computer analysis procedures, it may be possible to provide information feedback relating to production costs and profits to participating firms on a monthly basis to assist them with planning and managing their business enterprises.

Possibly the weekly or twice weekly enumeration visits carried out under Phase II of this in-depth applied research could be structured to provide regular assistance to small firms in bookkeeping, the preparation of business plans, and other managerial tools that would improve their operations and enable them to qualify for loans from banks or other types of industrial development services. In effect, the enumerators in these cases could function partly as industrial extension agents, providing training in basic aspects of business operation as well as assisting with diagnostic and referral services. This would be particularly appropriate for situations in which data collection and diagnostic work is being carried out in conjunction with a small business assistance organization, as in Jamaica or Honduras.

C. A question that is frequently raised for all of DS/RAD's Cooperative Agreements is the relative balance among the various project components and the manner in which project resources should be allocated to various types of activities. Under this project, a decision has been made to place priority on meeting mission requests for in-depth assistance rather than concentrating on short-term consulting, evaluations, or state-of-knowledge papers. In part, this decision reflects a judgement on the existing state-of-the-art on off-farm employment and a feeling that accurate information and careful attention to project design is needed to develop approaches that are effective in stimulating off-farm employment through small scale non-farm enterprises. As experience is gained through these in-depth efforts, these lessons can be extended to other countries through shorter term consulting assistance and the dissemination of experiences and findings. This strategy does not deny that there are already important lessons to be learned from assessments of past or on-going small enterprise development efforts, or that missions don't often legitimately require "quick fixes" to identify and design projects. Rather, it was developed as a way of allocating scarce resources on the basis of comparative advantage and in response to what the project staff and the DS/RAD project manager have perceived as the highest priority needs of

missions and regional bureaus. As a consequence of this strategy, however, important experiences are being gained and resources and methods are being developed which provide a foundation for enlarging the scope and range of technical services which are available to AID and LDC institutions. In this respect, there does appear to be visible progress in meeting the project goal of enhancing the ability of AID missions and LDC institutions to identify, design, implement and evaluate programs and projects to generate off-farm employment and income opportunities that benefit the rural poor.

D. An important issue relating to the utilization of outputs from this project concerns the development of mechanisms to ensure AID and LDC access to the materials and findings generated through this project. MSU has developed a system of distributing working papers and publications that is fairly effective in reaching researchers and academics. To date, however, an effective method of reaching AID and LDC practitioners has not been developed. DS/RAD has recently added a staff member to address the problem of improving the dissemination of materials, and this project, as well as others in the office's portfolio, should benefit from his services.

E. A final issue concerns the management and staffing of the project in relation to providing the appropriate level of services and mix of skills to effectively service mission demands. To date the project has provided the services of a limited number of high quality staff, both at the senior levels and the graduate assistant levels. Overall, the quality of services delivered has been commendable. However, there appear to be two areas in which changes in project management/administration and staffing could increase the projects effectiveness in meeting field needs. The first relates to the capacity of the Cooperator to undertake an expansion in the quantity and range of services offered. Mission demand and interest in this project clearly has exceeded the Cooperator's supply of services. The availability of project funds up to now appears to have been less of a problem than constraints on the Cooperator to increase the supply of services. The important supply constraints seem to include: (1) problems of incentives for individual project participants to undertake additional activities, particularly increased amounts of overseas travel; (2) less administrative support or facilities flowing to the project from the university than the overhead received from the project might warrant; (3) difficulties in attracting persons from other departments to participate in short-term assignments under the project, given university policies regarding payments for consulting activities under university projects; and (4) a preference by the Cooperator for relying on MSU personnel rather than making greater use of outside consultants for limited term appointments.

The second area in which adjustments in staffing patterns might improve the ability of the cooperator to service missions relates to the balance between persons with research interests and skills and persons with operational experience and abilities. In carrying out the in-depth applied research and consulting activities, there appears to be a clear need to blend the skills and abilities of both researchers and practitioners. Partly this is a result of the inability of AID missions to provide staff to undertake much of the substantive work of identifying, developing, and implementing projects. The degree to which missions would be unable to free up personnel resources to work with researchers and consultants in project development work was not clearly anticipated when this project was designed. The continued shortages of AID technical staff and the advent of the era of "more with less" places a heavier responsibility on projects such as this one to develop staffing patterns and consultant networks to ensure ready access to persons with operational as well as research skills. To effectively meet AID's current needs, the Cooperator first needs to address its internal management policies regarding the hiring of non-academic personnel for limited term appointments. Secondly, a greater effort is needed to identify qualified persons with operational skills to augment the range of services this project could provide to Missions. There is clearly a need to do more to enlarge the supply of consultant resources, and to develop mechanisms for combining more effectively the skills and abilities of persons with research, analytical, and operational skills.

IV. Recommendations:

- A. Project funding be continued at least at the agreed upon level through the fourth year.
- B. Efforts be made to ensure that intermediate outputs of in-depth work be specified more clearly, delivered in a timely fashion, and packaged in a form so they can readily feed into project and policy development.
- C. Increased attention be devoted to the development of less costly, more flexible data collection and diagnostic procedures.
- D. The Cooperator should endeavor to increase its capabilities to respond to Mission requests for assistance in carrying out policy analyses to support LDC policy reform efforts.
- E. Attempts be continued to develop methods for providing immediate services to small firms such as training in record keeping and assistance in qualifying for industrial assistance programs, in conjunction with in-depth research and diagnostic work.

F. Efforts be made by the Cooperator to develop administrative procedures, management structures, and personnel incentives, which more effectively would permit the project to meet the level of mission and LDC demand for services relating to Off-farm Employment Generation.

G. Efforts be continued to identify persons with relevant skills relating to small scale industry development and Off-Farm Employment Generation, and increased efforts be made to develop procedures to merge research, analytical and operational skills in assisting missions and LDC's with project and policy development.

ANNEX I

DESCRIPTION OF TECHNICAL SERVICES, STAFFING AND PUBLICATIONS FOR THE OFF-FARM EMPLOYMENT PROJECT

A. Applied Research

The applied research in individual countries normally is divided into two phases. Phase I entails a complete enumeration of small non-farm firms in chosen areas. Information is obtained from each on types of enterprise or activity, location, description of buildings and manufacturing or processing facilities and number of workers, by major categories. This phase can usually be completed within a few months. Phase II is a more intensive study of firms selected from those identified in Phase I; a stratified random sample is usually employed for this selection. Stock data, collected at the beginning and end of the study period, encompass characteristics of the operation, type and ownership of enterprise, source of original capital and current credit and management practices. Flow data, collected once a week or more often, consist mainly of labor, material and financial inputs and material outputs. These data are used to compute returns to individual factors and overall profitability rates. Also usually recommended are companion surveys on household expenditures by a cross section of the entire population as a basis for projecting demand/markets for the sector's output. The applied research in each country is shaped to meet the needs of the USAID Mission and interested indigenous agencies. This has meant altering the depth or intensity of Phase I in some situations.

Besides the Applied Research described above, there will be case studies or in-depth analyses on selected aspects of rural non-farm small-scale enterprises in most countries. These will probably vary substantially among countries depending on indigenous priorities and available research talent.

Applied research conducted under this project is described briefly for each country.

1. Bangladesh

In anticipation of this Cooperative Agreement, Dr. Chuta spent 10 weeks in Bangladesh in mid 1977; support for this was provided under an AID/MSU contract. His report suggested: a scope of work for a rural industries study; a survey design and data handling methodology; a work schedule

and tentative budget criteria to consider in selection of areas of study and institutions and individuals to conduct the study.

In October, 1977, Drs. Chuta and Liedholm spent two weeks in the country to firm up a specific implementation plan, identify a Bangladesh collaborative research institution and finalize a comprehensive scope of work. In March 1978, a contract was signed between the Bangladesh Institute of Development Studies and USAID/Dacca under which the latter agreed to provide \$600,000 for virtually all fixed and variable costs involved. The Phase I survey extended from mid July to October 1978. Soon thereafter, the Phase II survey commenced and will be completed in December, 1979.

A preliminary report on Phase I findings was completed in May 1979 and is currently undergoing revision. Early results indicated twenty times more firms existed than were previously estimated. Misdirected policies were working a real hardship on small firms and the low income of the population was reflected in a different pattern of products than in other countries studied; the relatively few involved in tailoring was particularly noticeable. Fewer women served as entrepreneurs than in other countries covered so far. Indications are that the extreme population pressure on the land lessens opportunities for increasing incomes from farming, thereby limiting domestic demand prospects for products of small-scale industry.

The survey is being conducted in 11 Thanas, less than 3% of the total. The sampling of Thanas was purposive to reflect a variety of products, production techniques, infrastructural facilities, etc. Within these Thanas, all rural non-farm firms were surveyed in Phase I, revealing a total of 57,000 enterprises with 217,000 workers. For Phase II, a random sample was drawn within each Thana from firms identified in Phase I. The Director of the project has ready access to policy makers so it is virtually certain that the findings of the study will be utilized soon in planning, policy formulation and implementation. As anticipated, early findings from the study provided an important part of the basis for a Project Identification Document (now approved) which proposes an initial \$5 million USAID support for development of rural industries.

The Bangladesh study is the only one conducted to date without involvement of a full time resident MSU representative. However, in the early stages of planning and instrument preparation, frequent visits were made by Dr. Chuta from East Lansing. A consultant to the USAID/Dacca Mission, Clarence Maloney, has provided much assistance to BIDS.

2. Jamaica

The initial exploratory visit (by Liedholm and Chuta) for this project was made in January 1978. Preliminary concurrence was reached on collaboration for a study and some progress was made on an implementation plan. During a February 1978 visit a collaborative arrangement was finalized involving the University of the West Indies (UWI), the Small Enterprise Development Corporation (SEDCO, a government agency) and MSU. Also, agreement in principle was reached on an implementation plan and detailed scope of work. Negotiations on the substantive content of the study were completed in April 1978, but some months elapsed before formal agreement was reached between USAID/Jamaica and the GOJ for the financial support of \$142,000.

The MSU representative, Mr. Yacob Fisseha, took up residence September 8, 1978 as a Visiting Research Fellow with the UWI for the duration of the study. The Phase I survey was conducted between mid September, 1978 and early January 1979. The modest expansion on Phase I, labelled Phase II, was conducted in January and February 1979. The long-term longitudinal study, termed Phase III, was initiated in March 1979.

Data are being collected in Jamaica so that results will be representative of the entire country. The nation was stratified according to population densities: below 2,000, 2,000-20,000; 20,000-100,000; and over 100,000. In Phase I, all small firms were surveyed in the latter groups; 50% in the 2,000-20,000 group and 4% in the least densely settled areas. A total of 38,000 establishments were covered and they employed 79,000 people. The interim Phase II (see below) encompassed 700 firms and the long-term Phase III involved 300 initially. Jamaica's economy has experienced negative growth the last several years and the ensuing unemployment/security problems affected survey operations. Significantly, although overall growth was negative, output and employment by small firms have shown some increases. A finding from Phase I indicating infrequency of record-keeping was viewed as especially significant, considering the Jamaican lending agency's emphasis on this (with World Bank encouragement) as a basis for granting credit.

What is described above as Phase II was conducted in response to a request from SEDCO to cope with urgent operational problems. It was based on a sample of firms covered in Phase I. In this exercise, more information than usual for Phase I was assembled on entrepreneurs, production and marketing practices of the small firms, the more pressing constraints faced, and sources and uses of credit.

As of September 1, 1979, Phase I data had been completely tabulated. Phase II data were coded and keypunched but not corrected. Coding of Phase III data had commenced. Data handling in general has encountered problems due to the inability of the central processing unit to recruit and retain programming staff; keypunching staff also is inadequate. As a result, it appears it will be necessary to perform the data handling/analyses at MSU. Since the former director of SEDCO is now a resident graduate student on a half-time assistantship (for MBA) at East Lansing, it is probable much of the analysis also will be done on the MSU campus.

3. Thailand

In May 1978, a PID was completed under the title "Off-Farm Employment Assessment Project." This was prepared within the USAID/Thailand Mission and was approved in July 1978 suggesting a grant of \$0.5 million by USAID. The purpose of the PID is "to generate basic data and analyses needed to design, implement and evaluate policies, programs and projects to stimulate the growth of rural non-farm enterprises and employment." In October 1978, a team representing Michigan State, Ohio State and Kasetsart Universities designed a multi-part study for inclusion in the Project Paper, which was approved in March 1979. The following major activities were proposed:

- a) Surveys and analyses to assess the nature and importance of the rural non-farm sector, the operational characteristics of rural small-scale firms, constraints on their development and possible approaches for stimulating their growth in numbers and size.
- b) In-depth studies of rural financial markets to assess their present performance and potential for servicing rural non-farm enterprises.
- c) Farm/household surveys and analyses to assess the nature of the demand for non-farm small industry products and services, and to identify constraints on farm labor for non-farm firms as well as the nature and performance of small Thai farms.
- d) Studies of the rural marketing system with a view as to assessing demand for marketing services by both the farm and small-scale non-farm firms and constraints to supplying these services more efficiently and in a more timely manner over the geographical areas concerned.
- e) Analyses of the private business community with a view to identifying incentives for greater industrial decentralization.

These several components, taken together, will provide a broad base for devising policies and programs for accelerating the rural development process.

MSU project staff visited Thailand in October 1978, and in February, May, July and August 1979 (total of 60 person days) to interact with USAID staff and Thai personnel relative to the field study. Following the International Conference at East Lansing in June 1979, representatives of the 3 universities developed a collaborative approach for conducting the studies and the substantive content of some components of the study were developed, survey areas were identified and a tentative implementation schedule was agreed upon. Detailed aspects were further elaborated in August 1979 through negotiations in Thailand.

The permanent representative of MSU on the Off-Farm Employment Project, Donald Mead, took up residence in Thailand in August 1979. The field survey for Phase I commenced in mid-September and was completed in October. Survey instruments are being developed for Phase II of the rural small-scale industry study as well as for the other components of the total study. Two American graduate students, Merl Menegay and James Boomgard and two Thai graduate students are involved with the Off-Farm Employment study; all will spend extended periods of time in Thailand for dissertation research on integral parts for this project.

4. Honduras

Initial preparations for studies in Honduras were made through consultations at East Lansing due to unavailability of MSU personnel at that time to spend extended periods in Honduras. Three representatives from Honduras (2 USAID, 1 GOH) spent the better part of two weeks at MSU in November 1978 to become familiar with the approach and to design Phase I survey instruments. As some results were desired by USAID/Honduras for an imminent Project Paper, an expanded version of the usual Phase I was utilized. This survey was conducted from January to mid-March 1979. Preliminary results of the analysis, presented at the International Conference, provided the basis for emphasis given the rural non-farm small-scale sector in the "Rural Technologies" Paper. This document, approved in August 1979, provides support for the year long, Phase II survey which will generate a variety of flow data expected to be immediately useful in shaping and adjusting this component of the Rural Technologies Program. One or more reports will be developed on the study.

The 35 enumerators and 7 supervisors for this survey completed their training during October 1979 and field work commenced in early November. A graduate student from MSU, Mr. James Pease, arrived in Honduras in early September 1979

for permanent residency throughout the year's survey and subsequent analysis. Ms. Judith Stallmann spent the first half of September 1979 in Honduras assisting with preparations for data handling and probably will make occasional additional trips for this purpose. While on the MSU campus, she will pursue further analyses of data collected in the early phase in Honduras and probably will make occasional additional trips for this purpose. While on the MSU campus, she will pursue further analyses of data collected in the early phase in Honduras and probably participate in some international comparisons. Between 500 and 600 small firms will be interviewed in 3 major regions of Honduras. In two of these regions, the Honduran Center for Industrial Development will initiate industrial extension programs toward the end of the survey period and results from the first part of the long term study may be used in this endeavor.

With the kind permission of Jamaican officials, Mr. Fisseha visited Honduras on September 15-22, 1979 to advise on questionnaire content, survey procedures and training of enumerators. Fresh from his experience in comparable activities, this proved to be a very productive consultancy.

B. Short Term Consulting

Important consulting services are usually provided to personnel in both USAID Missions and host country institutions in the course of visits to explore for possible interests in long term studies. Substantial advisory services were rendered in visits to Jamaica, Honduras, Bangladesh and Thailand in the course of establishing the on-going activities described above. For the purpose of this report, however, only visits to other countries will be summarized.

1. Haiti

In an initial visit (by Liedholm) in July 1978, Mission personnel expressed interest in having MSU design a survey, having a consulting firm conduct it and then possibly enlisting MSU analytical assistance. They expressed a desire for results by March 1979. During a visit in August (Chuta and Haggblade) survey aims were tentatively identified, the composition of a survey team was specified and a time-phased work plan was developed. Two representatives of Pragma Corporation, a Haitian consulting firm, spent two weeks on the MSU campus in September 1978 to develop instruments, coding and analytical procedures and budgets. Soon thereafter, the field survey commenced.

On a visit in December 1978, (Chuta and Haggblade) some errors in raw data were identified and remedial suggestions were made. Instructions were outlined to guide computer programming for internal consistency of the raw data. Assistance was given for revising Phase II questionnaires

and precoding the data. A sample scheme for Phase II was outlined. It was established that while there was capacity in Haiti to do key-punching, the processing and analysis would have to be done at MSU. Mr. Haggblade in a longer visit than Chuta, assembled considerable non-survey information essential for interpreting and analyzing the survey data.

The preliminary report, analyses for which were conducted largely by Steve Haggblade with some input by Pragma Corporation, was presented to the USAID/Haiti Mission in the last week of May 1978 and was also presented at the International Conference on June 1st where it was praised by several participants for its coverage, perceptions and promptness in execution from conceptualization to report stage. The text was revised immediately after the conference and was issued as Working Paper No. 4 in the Rural Development Series.

2. Barbados

In a visit (by Liedholm) in January 1978, the Eastern Caribbean USAID Mission expressed some interest in a study in at least one windward or leeward island. However, a number of uncertainties arose and a study did not materialize.

3. Indonesia

A visit to this country (by Chuta) in September 1978 found indigeneous and expatriate personnel confirming the lack of relevant data on small-scale industry for designing projects. The USAID/Jakarta Mission had just initiated a rural electrification and area development project and preferred to incorporate any promotional efforts for rural industry within that project. They were reluctant to consider a separate, lengthy study as a basis for project design or revision.

4. Egypt

In a visit (by Liedholm and Chuta) in February 1979 it was clearly established that there is a need in Egypt for an in-depth survey of rural non farm small-scale enterprises. Available information appears to understate the importance of the sector and insufficient insights exist on which to base assistance programs. USAID/Cairo indicated a willingness to provide financial support starting in calendar year 1980. It was unclear, however, whether there was adequate institutional and personnel capacities to undertake a study.

Upon a subsequent visit (Kriesel and Haggblade) in October 1979, the USAID staff immediately made appointments with Governors of two Governorates outside Cairo. Both responded positively as to the need for studies leading to programs

for raising productivity and employment among rural small-scale firms. In each case, the Governor identified a local Faculty of Agriculture for such study assistance. Separately, a third Faculty was identified which served a different Governorate. In all three cases, the Faculty has or could readily acquire staff to undertake the applied research. Several potential collaborators were interviewed by Kriesel and Haggblade and their suitabilities were confirmed. A precondition for further negotiations toward a project is identification of 2 or 3 long term MSU staff inputs with language capability.

C. International Conference

This conference, the first under this contract, was held at MSU from May 30 to June 1, 1979. It was attended by 32 individuals from off-campus including 10 from developing countries. A major focus was the paper by Chuta and Liedhold, "Rural Off-Farm Employment - A Review of the State of the Art," which had been developed over the preceding 20 months. The second area of focus was on the interim country reports of on-going studies. Third was the on-going research in this area by two international organizations - World Bank and the International Labor Organization. A number of research issues - priorities and approaches - were discussed during the conference that will be helpful in future applied research programs. A number of participants requested that a follow-up conference be held reasonably soon.

D. Dissemination of Knowledge

Besides the publications, listed below, much information has been disseminated through seminars and conferences.

Principal staff members have made oral presentations on the nature and importance of the rural non-farm sector to a variety of audiences. Included are:

- (1) The Development Studies Program of the U.S. Agency for International Development, held periodically.
- (2) "Research on Off-Farm Employment," USAID Seminar Series, September, 1977.
- (3) "Rural Off-Farm Employment: Theory and Evidence," Bangladesh Institute of Development Studies Seminar Series. Dacca, October 1977.
- (4) "Small-Scale Enterprise Research in Developing Countries," World Bank Workshop on Small-Scale Enterprise, Washington, D.C., January 1978.

- (5) "Conference on Off-Farm Employment," organized for AID/Washington, April 1978. (Included participants from World Bank, Partners for Productivity and Ohio State University).
- (6) "The Role of Small-Scale Industry in Development: Empirical Evidence from Sierra Leone," Conference on Appropriate Management for Small-Scale Business, University of Denver, Denver, Colorado, May 1978.
- (7) "Rural Non-farm Finance," Rural Finance Workshop, sponsored by the University of the West Indies and Ohio State University, Kingston, Jamaica, July 1978.
- (8) "Rural Off-Farm Enterprises: Lessons from Developing Countries," O.E.C.D. Conference on Appraising Non-Agricultural Investment Projects in Rural Areas, Paris, France, September 1978.
- (9) "Financing Rural Non-farm Enterprises," International Workshop on Providing Financial Services to the Rural Poor; Bangladesh Bank, Dacca, Bangladesh, October 1978.
- (10) A Symposium on Small Businesses, sponsored by the Transcentury Foundation, October 1978.
- (11) An Employment Seminar, sponsored by the Asia Bureau, U.S. Agency for International Development, July 1979.
- (12) "The Need to Coordinate Central and Local Rural Development Planning and Administration," discussed at International Association of Agricultural Economists Conference in Banff, Canada, September 1979.

IV. Personnel*

East Lansing

Carl E. Liedholm, Professor, Department of Economics and
Director of Project
Herbert C. Kriesel, Professor
James Boomgard, Graduate Student (USA) to Thailand June
1980
Annette Francis, Graduate Student (Jamaica)
Steve Haggblade, Graduate Student (USA) likely to
Botswana January 1980
Merl Menegay, Graduate Student (USA) to Thailand January
1980
Samsak Priebprom, Graduate Student (Thailand) to
Thailand October 1980
Judith Stallmann, Graduate Student (USA) to Honduras at
intervals during Honduran project

Overseas

Jamaica

Yacob Fisseha, Graduate Student-Specialist (Ethiopia)
September 1978

Honduras

James Pease, Graduate Student-Specialist (USA) September
1979

Thailand

Don Mead, Professor, August 1979

*All Staff are within the Department of Agricultural
Economics, unless indicated otherwise.

V. Publications

A. Released

1. Pre-Study Report on the USAID Rural Industries Studies in Bangladesh, by Enyinna Chuta, August 1977.
2. "The Economics of the Gara (Tie-Dye) Cloth Industry in Sierra Leone," by Enyinna Chuta. African Rural Economy Program Working Paper No. 25, Michigan State University, 1978.
3. "The Role of Small-Scale Industry in Development: Empirical Evidence from Sierra Leone," by Carl Liedholm and Enyinna Chuta. Paper presented at a Conference on Appropriate Management for Small-Scale Labor-Intensive Business at the University of Denver, May 1978. (To appear in Rural Africa, Winter, 1979-80.)
4. "Appropriate Management Among Small-Scale Manufacturing Industries in West Africa," by Enyinna Chuta and Simeon Okpechi, May 1978.
5. "Employment-Output Conflicts, Factor Price Distortions and Choice of Technique: Empirical Results from Sierra Leone," by Derek Byerlee, Carl K. Eicher, Carl Liedholm and Dunston S.C. Spencer. African Rural Economy Working Paper No. 26, April 1979.
6. "The Economics of Rural and Urban Small-Scale Industries in West Africa," by Carl Liedholm and Enyinna Chuta. African Rural Economy Paper No. 14, 1976. (Reprinted in 1979).
7. "An Economic Evaluation of Apprenticeship Training in Western Nigerian Small-Scale Industries," by Adewale F. Mabawonku, African Rural Economy Paper No. 17, 1979.

The following five reports on the country studies were presented at the International Conference.

8. "A Preliminary Analysis of the Small-Scale Non-Farm Sector in Jamaica," by Omar Davies, Yacob Fisseha, Annette Francis and Claremont Kirton.
9. "Rural Industries Study Project in Bangladesh - Phase I Report," by Project Co-Directors Monowa Hassain and Qazi K. Ahmad and affiliated staff.
10. "Profile of Project Target Groups in Honduras," by John Kelly, Ana Ruth Zuniga and Luis Coronado Castillo.
11. "Small Enterprises in Haiti: Survey Results," by Steve Haggblade and Jacques Defay.
12. "Rural Off-Farm Employment Assessment in Thailand," by Pradit Charsombuti and Tongroj Onchan. (This report pertains to forthcoming field work in Thailand. It served as a basis for discussion, following the International Conference, of program content and implementation plans by participants from the several projects and universities involved.)
13. "Characteristics of Manufacturing Enterprises by Locality Size in Four Regions of Honduras: Implications for Rural Development," by Judith Stallmann and James Pease. October 1979. Presented at Annual Conference of Mid West Association for Latin American Studies.
14. "Small Manufacturing and Repair Enterprises in Haiti: Survey Results," by Steve Haggblade, Jacques Defay and Bob Pitman. Working Paper No. 4, MSU Rural Development Series, East Lansing, Michigan, 1979. (A revision and expansion of the document presented at the International Conference.)
15. "Techniques of Production, Efficiency and Profitability in the Sierra Leone Clothing Industry," by Enyinna Chuta. Rural Africana (forthcoming).
16. "The Need to Coordinate Central and Local Rural Development Planning and Administration," by Herbert C. Kriesel, September 1979. Forthcoming in the Proceedings of the Conference of International Association of Agricultural Economists.
17. "Rural Non-Farm Employment - A Review of the State of the Art," by Enyinna Chuta and Carl Liedholm. MSU Rural Development Paper No. 4, 1979.

B. Recent Publications

1. Davies, Omar, Yacob Fisseha, and Claremont Kirton, "Small Scale, Non-Farm Enterprises in Jamaica: Initial

Survey Results," M.S.U. Rural Development Working Paper No. 8, Institute of Social and Economic Research, University of the West Indies and Department of Agricultural Economics, M.S.U., December, 1979. (To appear in Social and Economic Studies, Volume 29, No. 1, 1980.)

2. Chuta, Enyinna, "Techniques of Production, Efficiency and Profitability in the Sierra Leone Clothing Industry," African Rural Economy Program, Working Paper No. 30, M.S.U., January, 1980.
 3. Chuta, Enyinna, "The Bread Industry of Sierra Leone: A Case Study of Appropriate Technology," African Rural Economy Working Paper (in press).
 4. Chuta, Enyinna and C. Liedholm, "The Dynamics of Small Scale Industry in Sierra Leone," African Rural Economy Working Paper (Summer, 1980).
- C. Planned
1. "The Bread Industry of Sierra Leone: A Case Study in Appropriate Technology," by Enyinna Chuta, African Rural Economy Paper (forthcoming).
 2. Final Reports on Each Country Study.
 3. International Comparison of Results of Country Studies.
 4. "Guidelines for Conducting Studies of Rural Non-Farm Small-Scale Enterprises" - Survey Procedures and Instrument Design.
 5. A Review of U.S. Government Assistance in Promoting Small-Scale Enterprise in Developing Countries.
 6. Methodological Issues in Surveys of Rural Non-Farm Small-Scale Enterprises.