

PD-MAL-898

9 320029/44

A PROPOSAL TO USAID/KENYA
FOR AN OPERATIONAL PROGRAM GRANT
IN SUPPORT OF TECHNOSERVE/KENYA
FOR THE PERIOD 7/82 - 6/84

SUBMITTED:
JUNE 1982

TABLE OF CONTENTS

	<u>Page</u>
I. PROJECT DESCRIPTION AND TITLE	1.
II. PROJECT BACKGROUND	2.
III. PROJECT ANALYSIS	6.
(A) SAVINGS AND CREDIT	6.
(B) AGRICULTURAL AND LIVESTOCK PRODUCTION	11.
(C) BASIK	17.
IV. SUB-PROJECT SELECTION PROCESS	19.
V. REPORTING/EVALUATION	31.
VI. IMPLEMENTATION	35.
VII. BUDGET	39.
VIII. WAIVERS REQUESTED	45.
 <u>APPENDICES:</u>	
A. TECHNOSERVE RESULTS AND COSTS 1979 - 81	48.
B. H.S.C. DAILY LOANS ANALYSIS FROM 31.12.80	50.
C. CIVIL SERVANTS FEEL THE PINCH	52.
D. NEWS ARTICLE -	
- TECHNOSERVE SERVICES MAY BE NEEDED	53.
- LETTER FROM MR. OUMA (P.C.O.)	54.
E. POTENTIAL SAVINGS AND CREDIT CLIENT GROUPS	55.
F. POTENTIAL CLIENT IN "OTHER" AGRIC. AREAS	56.
G. RANCHING COSTS REVIEW	57.
H. POTENTIAL BASIK CLIENTS	59.
I. POTENTIAL LIVESTOCK PROJECT CLIENTS	69.
J. OPG GRANT OUTPUT TARGETS	70.
K. LOGICAL FRAMEWORK	71.
L. TECHNOSERVE EMPLOYEES	72.
M. END OF PROJECT REPORT	73.

O.P.G. PROPOSAL

PROJECT TITLE: Self Help Enterprise Development in Kenya

PROJECT LOCATION: Kenya

TOTAL OPG REQUEST \$500,000 - 7/82 - 6/84

PVO NAME AND LOCATION: P.O. BOX 14821, NAIROBI, KENYA

Primary contact: Tom Giddings
Country Program Director

or

Dwight A. Marburger
Vice President/Africa
Technoserve, Inc.
11 Belden Avenue
Norwalk
Connecticut, U.S.A.

SUBMISSION DATE - JUNE 1982

1. PROJECT DESCRIPTION AND TITLE

Technoserve's Program in Kenya has the goal of improving economic and social well-being of low-income people in Kenya through the self-help enterprise development process. The purpose of the Kenya Program is to create and strengthen enterprises or assist institutions which help enterprises. This is proposed to be accomplished through technical and managerial assistance to local enterprise sponsors and governmental, parastatal and private voluntary institutions in the identification, implementation or development of new or ongoing self-help enterprises that studies show have potential for economic viability and a significant social impact.

Technoserve has been working to achieve this purpose in Kenya since 1972, with its program activities from mid 1978 to mid 1981 funded in part by an OPG (Grant No. AID-615-198-G) subsequently extended to cover the period 10/81 - 6/82, from the USAID Mission to Kenya. This proposal therefore addresses the desirability of continuing and further expanding Technoserve's program of providing management services to self help enterprises and interfacing institutions, private voluntary organizations and community groups

in Kenya. Due to current Kenyan concerns relative to improving the standards of management systems and services available to the cooperative sector, Technoserve proposes to continue its historical emphasis on assisting Kenyan cooperative enterprises. Such assistance will involve a continuation of technical and managerial assistance to local enterprises and institutions which fall within the cooperative savings and credit and the agricultural and livestock production areas. Additionally, Technoserve proposes that the AID-funded portion of its program include, consistent with its corporate strengths and experience, the provision of short and potentially longer term consultancy assistance to other PVOs and community groups operating in Kenya.

Client enterprises, institutions, or PVOs (sub-projects) selected to receive Technoserve's assistance under this proposal must comply with Technoserve's corporate project criteria; i.e. to be selected a sub-project must:

- have measurable potential for achieving economic viability;
- respond to the needs of low-income people and the local community;
- have as wide a base of ownership as is possible and practical, in accordance with the Government of Kenya regulations and statutes;
- have appropriate local leadership;
- be labour-intensive when technically and economically feasible;
- utilize, whenever possible, locally available raw materials, particularly agricultural products;
- have adequate local participation in the form of cash investments or non monetary resources;
- be ecologically appropriate to the local environment;
- not have ready access elsewhere to the services which Technoserve provides.

Sub-project requests are anticipated from companies, governmental, parastatal and private voluntary institutions, and self-help or cooperative groups which contact Technoserve for assistance in the development and/or evaluation of their activities. Technoserve will evaluate each sub-project in accordance with its own established guidelines (see corporate criteria above and section on sub-project selection).

II. PROJECT BACKGROUND

Technoserve is a non-profit private voluntary organization (PVO) incorporated in New York in 1969. Headquartered in Norwalk, Connecticut, Technoserve presently operates in four nations in Central America - El Salvador, Nicaragua, Peru and Panama and three in Africa - Ghana, Zaire and Kenya. Requests for Technoserve assistance and studies of the feasibility of establishing new projects in additional countries in Africa and Latin America are current and ongoing.

Technoserve renders technical and managerial advice and training to self-help enterprises which by their very nature, serve to increase the income and better the quality of life of either rural or urban families in developing nations. While target populations are designated as low and middle-income, the latter group are so cast in the economic and social contexts of the host nations. By the standards of industrialized nations, primary beneficiaries of Technoserve aid are low-income people. In order to reduce the risk of enterprise development to the lowest income beneficiaries it may be necessary to include some middle-income or above participants.

The emphasis of Technoserve's self-help enterprise development assistance world-wide has been primarily in agriculture, agri-business and credit. The entities with which it has worked have been mainly, but not exclusively, cooperatives. It has sought and generally secured the collaboration of host governments and their parastatal developmental agencies.

As can be seen from appendix A 60 of the 80 projects assisted by Technoserve world-wide (75%) during the year 1979 - 1981 were directly related to agricultural production, processing or marketing.

Technoserve's efforts are directed toward identifying those agriculturally related projects which have the best opportunity, given an input of Technoserve management expertise, to achieve commercial viability. Technoserve has developed extensive and detailed procedures for making such assessments of potential project viability. (see section VI). Appendix A also points out the extent to which Technoserve has demonstrated its capability to successfully analyse the potential profitability/viability of the enterprises it selects for assistance. In the period between 1979 and 1981, 85% of the major enterprises assisted by Technoserve world-wide operated profitably.

Total staff, including those working on projects in the field, in country program offices, and at the US headquarters is approximately 80. Primarily management and technical specialists, the majority are nationals of the countries in which they serve. Technoserve has had no problems to-date in securing the necessary work permits for its expatriates in Kenya.

Technoserve's presence in Kenya was established in 1973, when its staff of two professionals provided assistance from its base in Kisumu. Of the current staff of 19, four are from the United States. The remainder are Kenyan nationals five of whom are administrative staff at the Technoserve/Nairobi office, and ten are Project Advisors who together with expatriate staff provide on-site technical assistance to client sub-projects.

Technoserve/Kenya received its first OPG from USAID/Kenya July 1, 1978. The OPG has partially contributed to a significant increase in Technoserve project assistance. As provided for in the grant agreement a mid-term evaluation of Technoserve/Kenya funded by USAID was performed during May of 1980 by two independent evaluators, Mr. Nat Engel and Dr. Peter Anyang' Nyong'o. The results of that evaluation were positive and led to a request from the Mission for a Concept Paper submitted by Technoserve in September. That paper requested further USAID/OPG funding in the amount of \$2,000,000 for calendar years 1981 - 1983. USAID's response, dated November 17, 1980, requested the development of a proposal and highlighted issues to be addressed. Technoserve's proposal was reviewed in late March 1981 when USAID informed Technoserve that funding was unavailable for continued USAID support of Technoserve beyond the period of the expiration of the 1978 - 1981 OPG. Technoserve then submitted a further proposal to USAID, dated May 1981 requesting \$435,000 in interim emergency funding for the Technoserve Kenya Program. That request was subsequently rejected by USAID's letter to Technoserve of 10 June 1981. In late June Technoserve came back to USAID with a further request for emergency funding for 1981 in the reduced amount of \$200,000. That request was approved in March 1982 and the funds have been utilized as an extension to the CY 78 - 81 OPG, supporting Technoserve assistance to USAID - approved sub-projects for the period 1 October 1981 - 30 June 1982.

In October 1981 Technoserve submitted an OPG Proposal to USAID for \$1,823,000 to cover the period 1/82 - 12/84. Subsequent discussions with the Mission have concluded that the Mission is unable to respond to a funding request of this magnitude. The result is the present request for \$500,000 to cover a two-year period running from July 1982 - June 1984.

III. PROJECT ANALYSIS

In its Concept Paper dated September 1980 and subsequent OPG Proposal dated January 1981, Technoserve proposed sub-project assistance activity in three areas. It is therefore perhaps most useful to address the issues which arise from assistance within these areas separately.

A. SAVINGS AND CREDIT

Available information indicates that Savings and Credit Cooperatives in Kenya have a significant impact on the Kenyan economy as a whole and the development of Kenya's rural areas. Savings and Credit Cooperatives in Kenya have expanded tremendously over the past decade and total savings with these societies is presently stated at shs.900 million, up from a figure of shs.27.5 million in 1972. Given the situation prevailing in most savings and credit cooperatives in Kenya a similar amount will at any one point in time be committed in loans to cooperative members. In the savings and credit societies which have received Technoserve assistance, Technoserve has kept records on loan utilization. These "Daily Loans Analysis Forms" (see appendix B) have consistently shown that 80% of loans made by these societies have been directed either toward land purchase and improvement or house purchase and improvement. The flow of locally generated savings entrusted to these societies into productive investments in agriculture and housing constitute genuine steps in the direction of Kenya's self-reliance.

Locally available data demonstrates the importance of wage income to Kenya's small holder rural farming population. A 1974/75 rural survey reveals that on an average small holding in Kenya wage income represents 22% of the total household income, a figure which rises to 35% when urban wage remittances are included. In the highly developed Central Province these

figures are even higher, being 29% and 40% respectively. As funds available for lending to Savings and Credit Society members have increased through the past decade so also we believe has the flow of these funds to the rural areas.

Savings and Credit members are primarily those wage earners officially classified as low-income by the Government of Kenya. As appendix C shows approximately 75% of all civil servants are classified in this category. These are people who do not generally have easy access to credit, not being in possession of the security required by commercial banking institutions. Given the high cost of urban real estate and construction of urban dwellings and an average loan size of shs.5,282 (HSC-1980, see appendix B) it would appear likely that the flow of savings and credit society loans for land purchase and improvement and house purchase and improvement (80% of all Savings and Credit loans) is primarily flowing back to the rural areas. Under the 1978 - 1982 OPG Technoserve has to-date provided managerial assistance to four large Nairobi-based savings and credit societies (Harambee, Reli, Ardhi and NACICO) having a total membership of more than 60,000 and share capital in excess of shs.225,000,000 (an estimated 25% of all capital employed in Kenyan Savings and Credit Societies). Limited assistance has been provided to other societies. At the institutional level, Technoserve-developed model Loans Policy and Bye-Laws for Savings and Credit Cooperatives have been utilized by the Ministry of Cooperative Development to develop relevant standardized policies. Technoserve assisted in the development of a Government of Kenya payroll computer program which provides increased and needed financial information to the societies and their members. At present Technoserve staff are working to develop a computerized system for updating and reconciling society members personal accounts. The Ministry

of Cooperative Development has an interest in the applicability of the system of the Kenyan Savings and Credit Movement as a whole. In the words of the mid-term OPG evaluation "Technoserve's work has been significantly beneficial to the savings and credit movement and cost effective to its client cooperatives". For example during Technoserve's tenure at Harambee Savings and Credit more than 6,000 new members joined the Society, share capital (members savings) increased by 76%, 7,000 members received loans totalling shs.40,000,000, shs.4,000,000 in defaulted loan repayments was recovered, and annual dividends to members of 7½% and 8% were declared. Since Technoserve's departure share capital (members savings) has risen to more than \$10,000,000 and membership by a further 14,000. The continued success with, where applicable, Technoserve monitoring support of such societies (e.g. Reli, Harambee) is essential to the development of membership confidence in the capabilities of the Savings and Credit Movement to provide their basic needs.

Technoserve accomplishments in this area have not gone unnoticed by the Ministry of Cooperative Development (see appendix D) and Technoserve has further requests from societies and the Ministry. Technoserve has at present fully Kenyanized its capability to assist savings and credit cooperatives thereby further enhancing the cost effectiveness of such assistance. These societies are also able to meet a higher percentage (on average about 25% of direct costs) of Technoserve costs than rural enterprises. Furthermore in assisting savings and credit cooperatives, Technoserve has generally been associated with some of the more progressive elements in Kenyan society; people who have the capability to appreciate the goal of developing strong, viable self sustaining cooperative enterprises.

The period of assistance to such societies is generally short-term (12-18 months) and therefore accomplishments of sub-project work within the time frame of the OPG grant can be more easily managed. Technoserve would plan to assist a minimum of one or two major Savings and Credit enterprises while continuing to support institutional level efforts similar to those discussed in the original OPG proposal submission.

Technoserve would plan to utilize 20-30% of the total requested USAID/OPG resources to partially fund its assistance to savings and credit cooperatives.

As requested by USAID: appendix E provides a list of potential recipients of Technoserve assistance during the period 6/82 - 12/84. The list is restricted to the larger societies and is not intended to exclude the possibility of Technoserve providing assistance to small societies where such assistance can be provided in a cost effective manner.

Technoserve believes that in offering management and training to the large and medium sized societies and by offering support to approved Government of Kenya Programs emanating from the Ministry of Cooperative Development, it is pursuing a course which is fully compatible with the efforts of KUSCCO to assist smaller societies as well as with the efforts of CUNA to help strengthen KUSCCO's internal management, administration and planning processes. Furthermore, Technoserve is willing to work with KUSCCO on such joint project activities as may fall within the boundaries of Technoserve's corporate purpose and project criteria.

Technoserve also intends to continue to explore, jointly with the Kenya Ministry of Cooperative Development means of transferring its management assistance capability to the Ministry and other organizations in the Kenya Savings and Credit Movement. An example as cited above, is the work presently going on to develop a computerized means of up-dating and reconciling society members personal shares and loans accounts. This exercise is presently an essential operation required in many societies to assure that members savings are fully safeguarded and that defaulters are detected and society funds recovered. A computerized system to accomplish this has been already successfully developed for the Reli Society.

In 1981, at the request of the Ministry and KUSCCO, Technoserve staff provided a training session on the effective utilization of "Cooperative Documentation" for a two day seminar attended by 50 representatives of Nairobi-based Savings and Credit Cooperatives. Under the proposed OPG Technoserve would continue to respond to such requests.

Responding to a further request from the Ministry, a draft Savings and Credit Operation Manual prepared by Technoserve has been made available to Ministry staff attempting to develop standardized management systems for Savings and Credit Societies. Technoserve has been advised by the Ministry and staff of the Nordic Project that portions of this manual have been incorporated into the final working draft of the standardized manual.

The Ministry and Technoserve jointly recognize, however, that the effective development of institutional programme directed toward management systems development must be based on experience developed at the Society or sub-project level. Hence the Ministry's request for Technoserve intervention in the management of the NACICO, Nguvu and TUFISCO Societies, and their expressed interest in Technoserve involvement with the Elimu and Asili Societies. All of these societies with the exception of TUFISCO, have been placed under Management Commission, making their successful rehabilitation essential to the credibility of the savings and credit movement. Technoserve has developed management systems, in Kenya and by Kenyans, which are recognized as appropriate for addressing the management problems experienced by these societies. Therefore Technoserve's continued assistance to large scale savings and credit cooperatives will not only lend credibility to the overall development of the movement, but will help strengthen host country capabilities and self-reliance in the savings and credit area.

The Kenya five year Development Plan (1979 - 83) notes:

"The most serious constraint to further growth of the cooperative movement is an internal one, that is, the shortage of qualified and experienced personnel needed to carry out accounting and management functions. This personnel shortage is such that the Government, through the Ministry of Cooperative Development has had to control and supervise many cooperatives

to ensure their orderly growth. The removal of this constraint is vital to the continued development of the cooperative movement".

A Kenyan Auditor interviewed during the recent evaluation of Technoserve stated that the "level of technology evolved by Technoserve client staffs are disciplined; that they make entries promptly as transactions occur and that they do not misplace records because they function in a workable system". Further to this point the Chairman of the Reli Society in a letter of appreciation to Technoserve dated August 20, 1980 stated:

Your organization has ensured that the Society's personnel, including those seconded from Kenya Railways, are fully trained not only on their specific jobs, but so as to allow interchangeability. You may be aware that consultants are looked upon with awe if not suspicion as they have a tendency of introducing systems that are cumbersome and difficult to comprehend and follow. Your organization has proved an exception. Even some of us who have no accounting experience are able to follow the systems and procedures introduced.

B. AGRICULTURAL AND LIVESTOCK PRODUCTION

As stated earlier 60 of the 80 projects assisted by Technoserve Worldwide (75%) during the year 1979 - 1981 were directly related to agricultural production, processing or marketing. As pointed out in its initial (October 1981) OPG proposal to USAID, it is Technoserve's desire to diversify its programmatic efforts in the agricultural area by identifying additional agriculturally related projects with good potential to increase rural employment and income. While availability of funds has somewhat constrained developments in this area, Technoserve was able to provide substantial assistance to two non-livestock oriented agriculturally related projects during 1981.

The Turkana Fishermen's Cooperative with which Technoserve signed a contract mid-1981 had sustained unaudited losses in excess of shs.2 million during the two financial years ending 30 June 1981. Technoserve staff installed a new accounting and financial control system for the Society during the last half of 1981 while serving also as management and financial advisors to the Society under a contract funded by NORAD. With improved financial controls in place the Society has now posted a provisional profit in excess of shs.1,000,000 for the first 6 months of the current financial year. Based on Technoserve's recommendation, shs.450,000 of this money will be returned to the Society's fishermen/members in the form of bonus, thereby increasing rural incomes in this poverty stricken marginal area of Kenya.

Technoserve also served recently as a consultant to a World Bank Supervision Mission examining the activities of the Bank-financed Kenya Fisheries Project. As part of this exercise feasibility study outlines were prepared for cooperatives wishing to invest in improved shore facilities. Appendix F contains an illustrative list of fishing cooperatives which could be clients for Technoserve assistance during the period of the proposed OPG grant.

Also during 1981 Technoserve provided short term assistance under a 6 month Letter of Understanding to the Kangondi Farmers Cooperative Society Ltd., a group seeking to acquire a large scale grain producing mixed farm in the Molo area. Technoserve staff prepared an operating plan for the farm which served to support the Cooperative's loan application to the Agricultural Finance Corporation. Although the application was successful, Cooperative members have to date been unable to subscribe the necessary equity input required by the A.F.C. Technoserve has received encouragement from the A.F.C. to consider assistance to other A.F.C. clients such as Kangondi. Appendix F.

contains a list of potential mixed farm clients which might be assisted by Technoserve during the period of the OPG grant. In addition to potential work opportunities with fisheries cooperatives and mixed farms, Technoserve is also actively exploring the potential for providing assistance to cotton cooperatives which operate ginning facilities.

Technoserve has considerable experience in this area leading to efforts currently underway to identify a potential role for Technoserve in the implementation of the proposed Cotton Rehabilitation Program. One request for work in this area has been received from the Cooperative Bank of Kenya and Technoserve personnel have also held discussions with officials of the Cotton Lint and Seed Marketing Board, the World Bank and the First National Bank of Chicago relative to possible involvement within the program.

Technoserve has had corporate experience in the planning and construction of modern ginning facilities, as well as managing (in Kenya) gineries utilizing more dated equipment. Related experience in agricultural extension, in managing small-holder credit and agricultural input schemes, and in collaborative project assistance efforts with Kenyan institutions that interface with the cotton industry (i.e. the Cooperative Bank, the Cotton Lint and Seed Marketing Board, and the Ministries of Agriculture and Cooperative Development, as well as the World Bank) provide a strong foundation for further Technoserve project assistance initiatives. After touring the cotton cooperative unions participating in the I.A.D.P. Small-holder credit program a World Bank Supervisory Mission staged during late 1980 made the following recommendation to the Kenya Government.

"That about three unions be selected for priority upgrading. The mission held discussions with Technoserve, Inc., a private-non-profit development aid agency, that has been responsible for the financial and managerial upgrading of selected savings and loan, and cotton cooperatives in Kenya. They could provide management and technical assistance to about three unions (out of some 25 under I.A.D.P.) over a 2 - 3 year period. The mission feels that useful lessons would be learnt from the revitalization of the selected unions, which could be applied elsewhere".

In identifying and providing management services to production/processing enterprises, Technoserve would follow an approach of building from economic and social impact at the operational (project) level towards a position of being able to influence institutional change. The cotton industry, for example, has experienced problems stemming from late payments to farmers, poorly maintained ginnery facilities, weak management and accounting systems, inadequate extension and input supply services, and a need to review and re-design the "Lint Formula". Technoserve's management systems generate the commercial operating data which could potentially provide valuable information to decision makers in the institutions which service the agricultural industries in Kenya.

Cotton has been provided in this proposal as an example of another agricultural area where Technoserve has a strong base to develop further assistance efforts. Consistent with a USAID request that potential clients be identified, appendix F contains a list of cotton cooperative unions and societies which could potentially become recipients of Technoserve assistance under the proposed USAID - OPG. This list is not intended to be exclusive, recognizing that potential clients may for example be cooperative unions or societies which could take over private or Cotton Board-owned ginneries during the next few years.

in the Livestock Production area both livestock projects currently being assisted by Technoserve, Nguu Ranching Cooperative Society and Drumvale Farmers Cooperative Society have operated in profit for the past two financial years, both are meeting their debt service schedules, and both have begun to provide a minimal return to their membership after 10 consecutive years with no members dividend (Drumvale) and 15 years with no dividend at Nguu. The successful operation of these two commercial livestock enterprises, both located in semi-arid areas of Kenya, has demonstrated that marginal land in Kenya can be productively and profitably developed. Furthermore Drumvale provides an example of how a once unprofitable enterprise can be profitably rehabilitated with the help of commercial financial institutions. In the case of both projects their successful operation has attracted additional equity from cooperative members (in the case of Nguu a 29% increase/shs.160,000 in 1981 alone) indicating that Kenya wananchi will support the profitable development of viable rural enterprises.

Data generated from the operations of Drumvale and Nguu has been solicited and utilized by the Ministry of Livestock Development (see appendix G) in conducting its annual beef and milk price reviews. As stated in the original proposal Technoserve would plan during the period of the OPG to continue, to the extent possible, to make its livestock technicians available for such institutional support activities as may be warranted.

Technoserve is presently planning to identify a third livestock project for the initiation of assistance during 1982. In the identification and development of this project Technoserve will make every effort to design an assistance package which will not run beyond the terminal date of the grant being requested. It is anticipated that Technoserve direct assistance to both the Drumvale and Nguu projects will be terminated within the period of the proposed new OPG.

10.

A large part of Technoserve's contribution to the development of projects such as Nguu and Drumvale, as with all Projects which Technoserve assists, is training of enterprise employees, the transfer of business and technical management skills, the inculcation of the work ethic among employees and the development among committee members of a commercial approach toward decision-making and policy development. "On-site ranch management training" and "preparation of long and short term management plans" are essential elements of all Technoserve ranch assistance agreements which are stressed as being of "utmost importance" in the 1979 - 1983 Development Plan.

The lessons learned at the project level are shared with institutions such as A.F.C., C.B.K., K.C.B., M.O.L.D. and M.O.C.D. which interface with the projects in order to encourage them to make decisions responsive to the viable and profitable development of commercial livestock enterprises.

In line with illustrative Budget presented on page 39 of this proposal Technoserve would intend to use 60 - 70% of the resources allocated under the USAID/OPG to support assistance efforts aimed at the development of agriculture and livestock production enterprises.

Technoserve has always intended that its objective of improving economic opportunity for the low-income segment of Kenya's population be pursued on two levels simultaneously: through the provision of assistance to small and medium scale activities directly and through institutions of wider impact organized to serve the needs of the enterprises with which they interface. The exclusion of the former would result in the loss of grass roots relevancy which is the core of the Technoserve program; the exclusion of the latter would limit, to an unacceptable degree, the scope of its impact.

As was pointed out in the recent evaluation of Technoserve:

"The evaluators found that Technoserve's impact on self-help enterprise development in Kenya has occurred at two levels of significance: the technical and management systems and aid and support it has provided to client enterprises, and its advocacy and leadership in effecting changes in governmental policies and actions. It is their finding - and that of GOK observers and the officials and members of client enterprises - that benefits flowing from the Technoserve role in dealing with government and parastatal agencies has appreciably wider and longer term significance and its help in improving the situations of its client sub-projects".

It is this role of positive advocacy and leadership in effecting positive changes that Technoserve hopes to continue with support from USAID.

Activities of an institutional support nature which could occur in this area might involve access to commercial farming/ranching data available from sub-projects being assisted under Technoserve management contracts. Such information is generally proprietary and its availability could require the approval of the enterprises' management. In the past Technoserve has collaborated with institutions such as the International Livestock Centre for Africa (ILCA), the World Bank and its Economic Development Institute to provide case data used in the training of present and future ranch managers as well as government officials involved with livestock production in other developing countries. Under the proposed OPG Technoserve would continue, to the extent possible, to make its livestock technicians available for such institutional support activities as might be warranted.

(C) BASIK - (Business Advisory Services In Kenya)

As explained in the OPG Proposal submitted to USAID on 26 October 1981, Technoserve has initiated the BASIK Project to make Technoserve management

expertise available on a short-term basis to other organizations inclusive of other P.V.O.'s, enterprises, and institutions. A fairly comprehensive description of how this project will operate together with a listing of potential clients broken down by the areas from which they will be drawn was provided to USAID in the October 1981 OPG Proposal submission and is attached as appendix H which also includes example of some of the work already accomplished under BASIK.

As stated in Technoserve's October 1981 OPG submission, Technoserve does not anticipate that the BASIK sub-project will become the dominant sub-program activity within its self-help enterprise development program in Kenya. Technoserve does, however, believe that the inclusion of the BASIK sub-project within the scope of its Kenya Program will result in increased cost-effectiveness as staff can continue to be fully deployed between major enterprise assistance assignments. Technoserve currently plans to utilize 10 - 15% of the funds requested in this OPG submission to USAID to cover the costs of assistance provided under BASIK.

BASIK consultancies could well focus on such areas as pre-feasibility analysis, accounting system needs, organizational planning, inventory control, work-flow analysis, market analysis, and others. Technoserve does not anticipate the need for any seminars or formal meetings as a part of the implementation of this consultancy sub-project.

The activities of organizations, enterprises, and community groups which would be ultimately offered assistance by Technoserve under the BASIK sub-project would have to comply with Technoserve's normal sub-project selection criteria thereby assuring that the ultimate beneficiaries of the services to be provided fall within the target population.

A significant portion of the costs involved in conducting BASIK activities will be funded by other donors such as multinational corporations, churches, and in some cases other bilateral and multilateral aid programs. Technoserve believes that the BASIK sub-project has good potential to demonstrate how a P.V.O. can attract private sector funding of its activities.

IV. SUB-PROJECT SELECTION PROCESS

Over time Technoserve has evolved an enterprise development process which often includes the following steps. First, prospective client enterprises state their interest in Technoserve assistance. Technoserve then responds with preliminary discussions between its professional staff and the leadership of the enterprise. These talks are aimed at ensuring full mutual understanding of the nature and form of the assistance being requested, the work that is to be performed, problems that may be encountered, what Technoserve may be prepared to offer, and the cost of assistance to the potential client. On-site investigation normally follows and may lead to the preparation of a Preliminary Project Report (PPR - an internal Technoserve document). Local project sponsors are given a Project Appraisal Report which assesses the actual and potential viability of their project.

If the PPR (sub-project analysis) indicates that the enterprise meets Technoserve criteria (see page 2) in the view of local staff and home office management, Technoserve/Kenya may offer to enter into an agreement which engages the parties to work together during an initial period to study the sub-project feasibility in more depth. Detailed pro-forma financial statements (projected balance sheets, profit and loss accounts and cash flow forecasts) are developed to aid the assessment of potential project viability. At the end of the study period, Technoserve may withdraw or enter into a formal, longer term agreement. In certain cases long term agreement

may be entered into immediately following initial project analysis. In either case such studies, which focus on the assessment of project viability, and agreements must be approved at both local and home office management levels.

At the time of selecting sub-projects for assistance and negotiating sub-project assistance agreements, Technoserve negotiates the payment of a monthly fee to Technoserve by the project. In addition in-kind contributions in the form of housing and transportation for Technoserve personnel assigned to the project may also be negotiated. Technoserve follows the principal that the project should, at a minimum, provide Technoserve with a fee which is equivalent to what the project would normally pay for top of the line in local management. The fee negotiated is always in excess of what the project has been paying for management and therefore serves as a test of the project sponsors' willingness to adopt improved management systems and practices. A second principal is that the project should meet as high a proportion of Technoserve direct costs as possible without such payments becoming a burden to the project and its shareholders. In this regard larger projects particularly heavily capitalized large savings and credit cooperatives are more likely to be capable of meeting a higher percentage (historically about 25% on average) of Technoserve costs than rural-based agriculture and livestock production enterprises (historically about 10% on average).

The mid-term evaluation of performance under Technoserve's 1979 - 81 OPG grant stated with regard to Technoserve's work in the savings and credit area that:

"Technoserve's work has been significantly beneficial to the savings and credit movement and cost effective to its client cooperative".

Technoserve is sensitive to the need to track the cost effectiveness of its sub-project assistance efforts (see appendix 'B'). Base-line data collected at the PPR or Project Appraisal point prior to a project intervention is later compared with project performance at the point when on site Technoserve assistance is terminated. Project termination reports similar to that attached as appendix M are prepared at this point. These reports analyze the results of Technoserve's input to the assisted sub-project.

Technoserve assistance to self-help enterprises follows a pattern that is two-fold in approach. In addition to providing technical help in management it also undertakes in-service training of local staff personnel who will assume operational responsibilities when Technoserve intervention ends.

A project which is not amenable to such arrangement is likely to be deemed not capable of achieving long-term viability. During the in-service training program, the work ethic is inculcated objectives are internalized, and a teamwork system is forged which goes beyond transfer of management, technical and administrative skills.

The Technoserve professionals who provided assistance on-site may continue to monitor operations and offer management and technical advice under a monitoring agreement. This assistance may include the following services: monitoring of monthly financial and management reports; advice given as ex-officio member of the Management Committee; and short-term consultancies directed at specific operational problems.

In assisting the development of enterprises, Technoserve is often working with project sponsors who are relatively inexperienced and lack the technical skills necessary for business planning and development, loan preparation, technology selection, etc. Technoserve fills any or all of the following four roles in working with such groups:

Catalytic Role - Self-help enterprise development germinates among people who believe in themselves, who have skills, and who perceive a real prospect of progress. Technoserve assists such groups to operationalize their aims and objectives by providing advice regarding technologies, organization structures, bank procedures and criteria, business management, etc. Such advice may be offered at the pre-start-up stages as new enterprises are in formation, during expansion, and when enterprises have run into difficulties. The objective of this effort may result in an increase in the confidence and management ability of the sponsor group by helping it to avoid or correct mistakes.

Management Assistance and Training Role - Sound business planning and capable management are essential components of the enterprise development process. Sufficiently skilled management personnel are frequently not available to embryonic enterprises and generally the enterprises' leadership are not aware of the need for or the relevant quality of management personnel. Technoserve responds to this problem by conducting a comprehensive feasibility analysis, preparing a detailed business plan, providing short to medium term management personnel, and training employees of the enterprise to gradually assume overall operational responsibility.

Technoserve Assistance Role - The selection of appropriate technologies and their installation are enterprise development components requiring a high degree of specialized effort. By filling this role with the enterprises it assists, Technoserve is able to broaden the scope of technologies available to enterprises and assist with the installation process.

Capital Assistance Role - While Technoserve insists that a significant amount of the required capital be raised by the project sponsors, it is often necessary to raise outside capital before an enterprise can become fully operational. Technoserve does not provide cash grants to enterprises under any circumstances but it does assist the capitalization process in a number of ways. The feasibility analysis and business plans are instrumental in this process and Technoserve is able to assist the sponsors to identify potential sources of debt and equity capital.

In the process of providing assistance to sub-projects or clients Technoserve enters into a series of partnerships and commitments which are essential to bring the enterprise development process to fruition. Of primary importance is the relationship to sub-project sponsors, shareholders and employees. Potential project sponsors come to Technoserve with a hope that Technoserve can help them to develop, expand, or

rehabilitate the enterprise in which they are involved. Frequently these sponsors are sent by Government officials or officials of parastatal or private institutions who are familiar with Technoserve's work and have acquired the confidence that Technoserve can assist the group to tackle the problems it is facing.

Unfortunately, at this particular stage in the enterprise development process, it may be necessary to turn away a high percentage of Technoserve clients. Proposed sub-projects may not meet Technoserve's criteria, fit well within Technoserve's sub-project mix, or may be better referred to other agencies or institutions better positioned to serve the clients' needs. The feed-back loop which provides the reasons for this sub-project rejection does, however, increase local understanding of Technoserve and the types of assistance it is best able and suited to provide.

Where the initial request receives a positive response from Technoserve an on-site investigation follows, leading to the preparation of a pre-project analysis for the sub-project clients and the interfacing institutions. This initial assessment stage requires the collection of data, the gathering of information about institutional and legal requirements and an assessment of the commitments which other parties (project sponsors, government ministries, financing bodies, etc.) are willing to make to the proposed sub-project. At this point, although no formal commitments have been made, local people see Technoserve personnel "working on the project", and project sponsors, institutional parties, and governmental personnel alike look forward to receiving and reviewing Technoserve recommendations as to how the client's sub-project goals can be achieved. They point out the constraints to successful sub-project development and very often recommend a phased approach to attempting to develop the sub-project. Such an approach allows for periodic assessment of progress and an opportunity to

"cut losses" if insurmountable obstacles arise. It is for this reason that Technoserve frequently chooses to work with clients under a brief Letter of Agreement prior to entering into a Service Contract.

Technoserve assists enterprises which are an important part of the livelihood of their shareholders. Such shareholder/clients are therefore naturally anxious to have Technoserve personnel press ahead with sub-project development and they become partners in this process. They raise additional equity, introduce Technoserve to governmental, parastatal, and private institutions who also become interested and involved with sub-project development consistent with the purposes and goals of the institutions they serve. They make commitments to Technoserve and Technoserve clients which create moral obligations on the part of all parties to accomplish their respective tasks.

If initial constraints can be sufficiently overcome to allow the placement of Technoserve personnel on-site, new sets of expectations develop. Members of mismanaged savings and credit cooperatives in Nairobi will have heard of Technoserve's work at Harambee, Reli, and Ardhi. They will expect improved and even-handed access to credit, the payment of dividends, a steady flow of information about the financial status of their society. People previously unwilling to contribute to the Society from their meagre earnings decide to join (the membership of Harambee Savings and Credit has increased from 12,700 to 32,000 since Technoserve's management intervention). Employees, low in morale, will recognize opportunity for training, increased job responsibility and improvement in their skills. Members of farmers cooperatives will anticipate further developments on

their farms, improvement of farm/ranch infrastructure, herd expansion and improvement, more jobs for themselves or relatives. Seeing the potential for improvement, these low-income shareholders dip into their pockets to subscribe more equity. Contractual obligations to provide services are entered into at this stage and fee payments to Technoserve are agreed.

Technoserve institutional commitments similarly expand. Project plans, budgets, and cash flow projections prepared by Technoserve and client groups are presented to Government Ministries for statutory approvals. Financing plans are presented to parastatal and commercial financial institutions. Loan agreements are drawn, and very often Technoserve management is written into these agreements as a pre-condition to the facilities being made available to the client. Management systems are developed and put in place which have applicability and utility well beyond the sub-project boundaries, thereby placing Technoserve in the position of responding to governmental and institutional requests to either replicate its work elsewhere or to work with the institutions to standardize Technoserve-developed systems so that they can be more broadly utilized.

When management systems have been put in place and sub-project personnel trained to carry out redefined tasks, Technoserve withdraws its on-site personnel. However, in many cases a continuing relationship with the sub-project is maintained under a Monitoring Agreement which generally covers a period of one to two years. The process of transition to local management is further supported by this relationship and enables Technoserve to discharge its obligations to its clients, donors, and interfacing local institutions in the most responsible manner. In most instances relationships with the clients will continue beyond the formal termination of a Monitoring Agreement.

The provision of sub-project management services must be placed within the overall context of the Technoserve/Kenya Development Programme. Technoserve/Kenya is a development institution not simply a consultancy firm performing narrowly defined pieces of work within specified time frames. The successful accomplishment of the task of enterprise development at the sub-project level inevitably involves Technoserve in a web of commitments and responsibilities that go well beyond the most narrowly defined tasks of enterprise development. For example, Technoserve's design of a loan policy for Harambee Cooperative Savings and Credit has become the basis of a model for all large societies in Kenya; at Nguu when the Commissioner of Lands arbitrarily determined that all government-based ranching lands would be leased at a rate of 5% of unimproved value, Technoserve had to work with other local and international institutions to have the decision reversed; its continuation would not only have made Nguu non-viable, but also all other commercial ranches operating on government-leased land. With these relationships having been established out of attempts to resolve sub-project related constraints, the Technoserve programme continues to work with the interfacing institutions involved to develop sounder approaches to assisting the process of enterprise development in Kenya.

USAID has expressed considerable concern about the nature of the Technoserve sub-project selection and assistance process relative to the life-of-(sub) project requirements for specifically identified Technoserve clients. USAID has stated that only in 1981, in the light of the funding difficulties facing Technoserve due to sub-project contractual commitments extending beyond the period of the 1978 - 81 OPG, did it come to realize that Technoserve views itself as a development institution involved in a long-term process and that "sub-projects" are only a part of that process. However, it is Technoserve's understanding that the proposal prepared in solicitation of the 1978 - 81 OPG Grant together with the Grant Agreement for that OPG as

signed by USAID and Technoserve clearly refers to Technoserve's involvement in an ongoing process of assisting sub-project clients of which the agreement acknowledges "all are not identified" (page 3, section D of the Grant Agreement). Due to USAID's concern at the time over Technoserve's future selection of sub-project clients' a provision relative to the necessity of USAID prior approval for sub-projects to be assisted by Technoserve through the use of USAID funds was inserted in the Grant Agreement. That agreement, however acknowledged that: "Technoserve may proceed to utilize grant funds for investigatory and analytical work until such time as USAID approval or disapproval (of the sub-project) is received in writing (page 3 section D of the Grant Agreement). Furthermore the nature of the outputs to be achieved by Technoserve under the Grant Agreement (See Page one of the agreement) clearly indicate that investigatory and analytical work will be carried out with a higher number of prospective sub-project clients than those with whom an actual sub-project assistance agreement will infact be signed:

"During the 3 year life of this grant, Technoserve will review 8 - 10 sub-project request per annum, conduct 4 - 6 sub-project analyses per annum, prepare 3 - 5 sub-project plans per annum and execute 3 - 5 sub-project agreements per annum".

During the course of discussions relative to USAID's inability to consider favourably Technoserve's new CY 81 - 83 OPG Proposal, it was acknowledged by USAID that development agencies such as Technoserve (and USAID) do incur costs relative to (sub) project investigation and development. It was suggested at the time that Technoserve might seek to meet the costs through, if possible, an AID/Washington Matching Grant. Technoserve's Matching Grant running through December 1981 does not, however, provide for such costs. Major elements of Technoserve's new Matching Grant are focused on the

following and are not focused on covering program managements costs.

1. Developing new country programs
2. Developing Technoserve's evaluation system
3. Strengthening Technoserve's current enterprise development programs in its countries of operation
4. Developing Technoserve's work with groups and individuals to sensitize them to the meaning and value of enterprise development
5. Improving Technoserve's budgeting and costing system to track individual project costs.

Technoserve has therefore included its program management costs (Program Administration and New Project Identification) as part of this proposed OPG budget.

Historically Technoserve's accounting system has allocated costs to sub-projects (e.g. Allied Ranching) and to "program management" activities such as New Project Identification and Program Administration. The costs of program management are, in effect, overheads which should be charged to the sub-projects and this allocation was begun during 1981. Therefore, during this grant period sub-project costs will reflect 100% of the costs of Technoserve Kenya field staff and of Africa Division Headquarters staff when they charge time and expenses to Technoserve Kenya.

Another major concern expressed by USAID during the review of Technoserve's CY-81 - 83 OPG Proposal relates to the life of sub-project requirements of specific clients. Technoserve acknowledges that it is its intention during the period of the proposed grant to enter into agreements with sub-project clients which may go beyond the June - 1984 terminal date of grant. To the extent possible, however, Technoserve would not undertake to enter into sub-project commitments extending beyond this date until after a mid-term evaluation is done under the grant to address among other issues the possibility of USAID funding being available to Technoserve beyond the June 1984 terminal date. An exception to this principle would be made in cases where Technoserve is able to line-up other donor funding for sub-projects which extend beyond the terminal date of the OPG grant.

The nature of this proposal is also somewhat different from that which preceded it in that a higher proportion of the work projected will be of a short term nature. Direct assistance to a savings and credit society is not projected to require more than 18 calendar months. Assistance provided under BASIK will by definition be short-term. To the extent that assistance to other agricultural enterprises, i.e. cotton and fisheries cooperatives and mixed farms, focuses upon the installation of management systems, Technoserve interventions again would generally not exceed 18 calendar months. Furthermore as previously addressed in the section devoted to assistance to livestock sub-projects Technoserve does not presently intend to take on new projects in this area which by nature require long term technical assistance inputs beyond CY 1984.

It is undoubtedly in the agricultural area where the greatest danger exists of Technoserve engaging itself in commitments beyond the terminal date of an OPG grant. Technoserve believes, however, that a process of regular liaison between Technoserve and USAID's agricultural section, as suggested in the section on reporting which follows, provides USAID with a mechanism to forestall potential prolonged involvement by Technoserve in a project which would require Technoserve assistance well beyond the terminal date of any future grant. Furthermore having been better appraised of USAID life-of-project concerns Technoserve will be in a better position to alert prospective sub-project clients of a potential necessity to terminate assistance at a time when grant funds terminate.

V. REPORTING

Technoserve appreciates USAID's concern that activities of this nature which have an institutional impact do not duplicate programs which USAID and/or other donors have developed in support of the effected institutions. Technoserve proposes to continue the practice, established under AID Grant No. AID-615-198-G, of sending USAID a monthly memorandum listing all new sub-project requests received since the previous memorandum and giving a brief description of the nature of the services being requested of Technoserve by the sub-project sponsors. Technoserve acknowledges that it may not be aware, particularly at an early point of contact with sub-project sponsors, of situations where other programs are adequately providing the services sub-project sponsors may request of Technoserve. In order to avoid inappropriate duplication of effort by Technoserve of USAID assistance, Technoserve requests that USAID provide written notification of its intent not to fund a Technoserve sub-project, with adequate justification, within 30 days after a new sub-project request has been reported to USAID, either by way of a monthly memorandum or separate notification of intent.

Technoserve would proceed to utilize USAID grant funds for investigatory and analytical work until such time as USAID disapproval was received in writing. In the event of disapproval, USAID grant funds would not be used for further investigatory or analytical work or Technoserve assistance in any form to a sub-project.

As it is not possible at this point in time to identify and specify all agricultural related sub-project activities for which Technoserve may intend to utilize USAID funding, Technoserve would furthermore support the idea of a regular quarterly meeting with the chief of USAID/Kenya's Agriculture Division during the period of the proposed grant. At this meeting Technoserve would table a brief memorandum outlining agricultural/livestock sub-project assistance efforts undertaken during the quarter, the nature of services requested under any new sub-project requests, and activities related to this area in which Technoserve anticipates it might be involved during the coming quarter. This meeting, coupled with the monthly memorandum, will provide, we believe, the desired level of regular consultation and information flow between Technoserve and USAID.

Technoserve also would request that the proposed BASIK sub-project activity be reviewed as such by USAID and that subsequent requests for assistance from this sub-project be exempted from the monthly reporting format. A full detail of all activities carried out under the BASIK sub-project would otherwise conform to the structure of the semi-annual report presently prepared for USAID under the terms of the current grant. The criteria laid down for the proposed BASIK project limit assistance given to each client to 5 man-days per month. This will insure that work done on the BASIK project will not detract from Technoserve's ultimate goal of providing direct managerial and technical assistance to self-help enterprises.

A final concern expressed by USAID during its review of the October 1981 OPG request has to deal with the Kenyanization/localization of Technoserve/Kenya.

Technoserve's Kenyan staff increased considerably during the period of the OPG which ended in June 1981 and Kenyans at present account for 80% of the program. (See appendix L for a comparison of Technoserve/Kenya staff at September 1978 vs. April 1982). Future additions to staff will be selected where possible from among Kenyan candidates. As mentioned earlier, Technoserve professionals now providing assistance to savings and credit cooperatives are all Kenyans. Work carried out under the BASIK sub-project has also been primarily carried out by Kenyans. A Kenyan Project Advisor Trainee recruited in 1981 developed so successfully and rapidly that he was appointed the Acting Chief Accountant of the Turkana Fisherman's Cooperative Society in late 1981. Technoserve plans to continue to develop its Kenyan staff in this manner and to train, as it has done successfully in the past, the staff of assisted projects. Sub-project employees learn to operate Technoserve-designed management systems and to acquire a commercially oriented approach to their work. In the past 3 years more than 200 Kenyans have benefitted from Technoserve on-site sub-project training.

Technoserve plans to continue efforts to increase its funding base. While such efforts were quite successful during 1981, the acceptance of cost or cost plus fee paying work inevitably detracts from Technoserve's ability to serve those clients whom it was established to benefit. Therefore, while the prospects for increased other funding have improved, Technoserve will continue to seek grant funds to support its work with client groups which cannot bear the full cost of professional management services. All

clients, other than perhaps some to be assisted under BASIK, will continue to make some payment toward Technoserve/Kenya's costs.

In USAID's response to Technoserve's Concept Paper dated November 17, 1980 it is stated that the Mission agrees with Technoserve's intention to continue to provide assistance to discrete savings and credit societies and with "Technoserve's continuing to work directly with, and to provide assistance to livestock production enterprises". While Technoserve would therefore envision continued monthly reporting of any new requests received within these traditional areas of Technoserve assistance; it would not be anticipated that further description of the sub-projects would generally be necessary. Where Technoserve, however, proposes to utilize AID/OPG funds for the development of institutional support relationships or to assist sub-projects in another area of agricultural-related activity, Technoserve would, as in the past, supply USAID with a brief description of the sub-project if it intended to enter into an agreement with the sub-project and if USAID requested such a sub-project description within 30 days of the receipt of Technoserve's monthly report describing the nature of the sub-project request.

In addition to monthly reports, Technoserve will provide USAID with a semi-annual narrative report. This report will aggregate data produced in other more frequent internal reports and contain qualitative and subjective reporting on project impact and the socio-economic benefits of Technoserve assistance. Included in the report will be a comparison of the actual outputs to the proposed target ranges shown in appendix J. Semi Annual Financial reports on utilization of USAID/OPG funds will also be submitted.

Also, as requested by USAID, a Log-Frame is included as Appendix K.

Relative to the evaluation of Technoserve's performance under the proposed OPG grant, Technoserve proposes that in addition to its regular semi-annual reports a mid-term evaluation take place approximately 15 - 18 months after the effective date of the grant. Technoserve would submit an evaluation plan for this evaluation upon request by USAID, and its terms of reference would be worked out by mutual agreement between Technoserve and USAID. Technoserve would be a participant in the conduct of all evaluations of its program/project activities. USAID or its agent would be a participant.

It should be noted that in the evaluation of performance against ultimate goals, the long term ultimate goal of Technoserve's work is difficult and costly to objectively measure. Selective case studies and joint evaluations involving AID and Technoserve would be the best means of assessing the accomplishment of this ultimate goal. Similarly, the assessment of impact of Technoserve's goal of increasing jobs, income and productivity as these relate to low income people is difficult and expensive. Selective social surveys and analyses will be used to evaluate performance at this level.

VI. IMPLEMENTATION

Technoserve assistance under this proposal will be to a series of currently assisted or newly selected enterprises and/or institutional activities. During the three year life of this grant, Technoserve will review sub-project requests, conduct sub-project analyses, prepare sub-project plans, and execute sub-project agreements as projected in Appendix J. The mix of outputs will normally shift from year to year depending on the needs of clients within the target groups. Thus, ranges are utilized since precise targets would force Technoserve to focus its resources on meeting OPG targets.

rather than the locally defined needs of client groups or sub-projects. Each of these indicators or outputs are defined below:

- (A) Sub-Project Requests Investigated: The number of sub-project requests received by Technoserve which Technoserve investigates or prescreens during the reporting period.
- (B) Sub-Project Analyses: The number of economic, institutional, or social sub-project analyses completed during the project period. Such analyses may include, but are not limited to such functions as marketing, accounting, engineering, administration, etc.
- (C) Sub-Project Plans: Number of economic, institutional, or social sub-project plans developed to guide the implementation and/or functional operations of sub-projects.

BASIK outputs will be reported separately from other sub-project activities. Though the same output definitions apply, the short-term nature of BASIK assistance produces smaller-scale and more frequent outputs which are not comparable to full-scale Technoserve assistance efforts. Separation in targeting and reporting is necessary to avoid undue distortions in output indicators. (See appendix J.)

The following page shows an illustrative implementation schedule which depicts the scheduling of Technoserve's projected sub-project involvements over the period of the proposed grant.

IMPLEMENTATION SCHEDULE - TECHNOSERVE INC. KENYA
TWO YEAR ILLUSTRATIVE SCHEDULE OF ACTIVITIES

SUB-PROJECTS	1982			1983			1984		
	JAN-APR	MAY-AUG	SEP-DEC	JAN-APR	MAY-AUG	SEP-DEC	JAN-APR	MAY-AUG	SEP-DEC
A. <u>SAVINGS & CREDIT</u>									
1) SEE APPENDIX A.			—————	—————			-----		
2) SEE APPENDIX A.					—————		-----		
B. <u>AGRICULTURE AND LIVESTOCK</u>									
1) DRUMVALE COOP.	-----			-----		-----	-----		
2) NGUU COOP.	-----			-----		-----	-----		
3) SEE APPENDIX B.							-----		
4) OTHER AGRIC. PROJECT (SEE APPENDIX C)			—————	—————			-----		
5) OTHER AGRIC PROJECT (SEE APPENDIX C)						—————	-----		
C. <u>BASIK</u> SEE APPENDIX D.									-----

————— DIRECT MANAGEMENT AND TRAINING

----- MONITORING AGREEMENT

It is recommended that grant funds which may be forthcoming from the proposed OPG grant be drawn down under payments made by a Federal Reserve Letter of Credit Advance in line with the provisions of the "Other than Educational Institutions Index of Standard Provisions" Section 7 (A) Attachment 2. This arrangement has been followed under Technoserve/Kenya's present OPG (AID Grant No. AID-615-198-G) and has operated satisfactorily. Technoserve furthermore proposes that expenditures made under the proposed grant be reported quarterly by way of USAID's "Financial Status Report - SF 269(7-76)" with copies sent to both AID-Washington and the Financial Controller of USAID's Kenya Mission.

VII
 Illustrative Budget 7/82 - 6/84

 (\$000)

	<u>7-12/82</u>	<u>CY 83</u>	<u>1-6/84</u>	<u>Total</u>
Salaries and Benefit (01 + 11) (a)	189	408	220	817
Travel and Allow. (03,04,13,14)	27	58	31	116
Office Expenses (02,12)	23	50	27	100
Other Program Costs (05-09,15-19)	23	50	27	100
Sub-Total	262	556	305	1133
Aid Allowable Overhead (31%x01+11)(b)	<u>59</u>	<u>126</u>	<u>68</u>	<u>253</u>
Total	321	692	373	1386
USAID Support	150	300	50	500
Other Sources (c)	171	392	323	866

- (a) Attached is Technoserve Chart of Line Item Accounts. Numbers in brackets represent Technoserve account headings.
- (b) Allowable Overhead Rate increased to 31% x (01 + 11) in accordance with AID audit of Technoserve performed January 1982 and now being reviewed in Washington.
- (c) This will include Project Fees, grants from churches foundations, corporations and individuals. Due to the limited availability of USAID funding Technoserve source income has been increased from \$397,000 over 18 months. (April 1982 Concept Paper Budget) to \$886,000 over 24 months. If Technoserve is unable to raise this level of funding some cut back in current and proposed level of staffing and project activity will be unavoidable.

NOTES:

- (1) Technoserve understands that it may not charge the OPG more than the amount obligated by USAID/Kenya and that adjustments among the line cost elements are unrestricted.
- (2) Technoserve financial statements are prepared in conformity with generally accepted accounting principles and are audited annually by Price Waterhouse & Co. Technoserve uses its standard chart of expense accounts in the preparation of its financial statements. Budget projections are estimates and are presented for illustrative purposes.

OFFICE OF ECONOMIC (INDUSTRIAL) AFFAIRS

EXPENSES INCURRED BY OR ON BEHALF OF FIELD STAFF

- 01 SALARIES, WAGES, BENEFITS: Salaries or wages paid to regular TNS employees. Overtime pay for wage employees. Expatriates' salaries are adjusted for cost of living differentials, tax benefits, etc. Host country nationals' benefits may include housing, leave, Christmas, extra duty and, hardship allowances, according to local law and custom. Related payroll taxes. Mandated benefits such as labor indemnities, according to local law. Standard TNS benefits, including: health insurance, pension plan, thrift plan, home leave (for expatriates) and so on.
- 02 OFFICE OCCUPANCY AND OPERATIONS: Office rent, utilities, and maintenance. Postage, telecommunications, photocopying. Office supplies. Currency exchange and bank charges for normal services. "Help wanted" ads.
- 03 INTERNATIONAL TRAVEL: Travel, lodging and living expenses incurred by staff on trips outside the countries in which they are based. (Exception: when TNS/Ghana staff travel to Togo for supplies, their expenses are considered in-country.) Shots, visas, medical exams and similar expenses incurred as a consequence of such travel. Shipping and/or relocation allowances incurred as a result of an international relocation. Note: when an employee who has been working in one country for TNS is required to relocate to another country, the related costs are normally split equally between the two country programs, or between a country program and the appropriate divisional indirect cost pool if the employee is moving from or to the home office. Employees are reimbursed for actual expenses, not on a per diem basis.
- 04 IN-COUNTRY ("local") TRAVEL: Travel, lodging and living expenses other than those due to international travel. Shipping and other costs incurred in relocating an employee within a country. Vehicle rental, registration, operating, maintenance, and tax expenses. Losses on vehicle disposition are netted against any such gains. Per diems are used only in Kenya and for TNS/Ghana staff travelling to Togo.
- 05 FURNITURE AND EQUIPMENT: Acquisition cost of non-capitalized (under \$300) furniture and equipment not considered "office supplies". Losses on disposition of capitalized furniture and equipment are netted against any such gains.
- 06 OUTSIDE SERVICES: Fees and out-of-pocket expenses paid to or on behalf of technical consultants, recruiters, auditors, legal counsel and the like. Fees paid to or for temporary secretaries, language instructors, and the like.
- 07 DEPRECIATION: Depreciation on vehicles or furniture and equipment. Vehicles are depreciated on straight-line basis over

BEST AVAILABLE DOCUMENT

- 08 OTHER (AID-ALLOWABLE): Conference fees, dues, and similar items. May temporarily include items which are subsequently coded 01-0 or 09.
- 09 OTHER (AID-NONALLOWABLE): Expenses which cannot be charged to AID (or other Federal) grants or contracts. See Appendix for a list of such items. Note that no expenses of certain functions, e.g. Fundraising, may be charged to AID.

EXPENSES INCURRED BY OR ON BEHALF OF HOME OFFICE STAFF

- 11 SALARIES, WAGES, BENEFITS: Salaries or wages paid to regular TNS employees. Overtime pay for wage employees. Related payroll taxes. Standard TNS benefits, consisting of: health insurance, pension plan, thrift plan, and (on rare occasions) spouse travel.
- 12 OFFICE OCCUPANCY AND OPERATIONS: Office rent, utilities, and maintenance. Postage, telecommunications, photocopying. Office supplies. Currency exchange and bank charges for normal services. "Help wanted" ads. See comments on "Burden", below.
- 13 INTERNATIONAL TRAVEL: Travel, lodging and living expenses incurred by staff when travelling outside the U.S. Shots, visas, medical exams and similar expenses incurred as a consequence of such travel. Shipping and/or relocation allowances incurred as a result of an international relocation. Note: when an employee is required to relocate overseas or from overseas to the home office, the related costs are normally split equally between the country program and the appropriate divisional indirect cost pool (discussed below) if the employee is moving from or to the home office. Per diems are optionally used for travel to Latin American countries, and a minimal "miscellaneous" per diem is provided for travellers to Africa.
- 14 IN-COUNTRY ("local") TRAVEL: Travel, lodging and living expenses other than those due to international travel, i.e. in the US. Shipping and other costs incurred in relocating an employee within a country. Per diems are not used.
- 15 FURNITURE AND EQUIPMENT: Acquisition cost of non-capitalized (under \$100) furniture and equipment not considered "office supplies". Losses on disposition of capitalized furniture and equipment. Such expenses are normally charged to Administration and hence to the AID-approved G/A (General and Administrative) pool.
- 16 OUTSIDE SERVICES: Fees and out-of-pocket expenses paid to or on behalf of tax consultants, recruiters, auditors, legal counsel and the like. Fees paid to or for temporary secretaries, language instructors, and the like. The costs of tax consultants, auditors, and legal counsel are normally charged to Administration.
- 17 DEPRECIATION: Depreciation costs on vehicles or furniture and equipment. Computer equipment is depreciated on a straight-line basis over 60 months; furniture, fixtures, and equipment are depreciated on a straight-line basis over 120 months. Like 15 expenses, these

are normally charged to Administration.

- 18 OTHER (AID-ALLOWABLE): Conference fees, dues, and similar items. May temporarily include items which are subsequently coded 11-16 or 19.
- 19 OTHER (AID-NONALLOWABLE): Expenses which cannot be charged to AID (or other Federal) grants or contracts. See Appendix for a list of such items. Note that no expenses of certain functions, e.g. Fundraising, may be charged to AID.
- 21 DIVISIONAL INDIRECTS: Within each division, certain activities cannot be directed charged to final activities such as the Ghana program or Fundraising. An example would be the time spent by the Vice President-Latin America at the Annual General Meeting. The cost of that time and a number of other items, such as secretarial costs, relocation expenses, and "burden" (see below), are allocated to final activities such as Fundraising or country programs and, ultimately, projects.

BURDEN

Certain costs incurred by the home office benefit all divisions--Africa, Latin America, Evaluations, Marketing (including Fundraising) and Administration--but cannot be economically charged directly to them. Instead, they are allocated to each division on the basis of that division's salary costs. Items so treated include: office rent, Xerox rental, postage, domestic phone calls and service charges, and office supplies such as paper.

APPENDIX

AID-Nonallowable (09, 19) Costs

1. Advertising costs, when incurred for other than the following reasons: (1) the recruitment of personnel; (2) the procurement of scarce items needed for TNS operations; (3) the disposal of TNS assets.
2. Bad debts of any kind and including related collection costs or legal costs.
3. Contributions and donations made by TNS, of any kind.
4. Entertainment Costs including the costs of amusement, diversion, social activities and incidental costs relating thereto such as meals, lodging, rentals, transportation and gratuities.
5. Interest and other financial costs on borrowings by TNS.
6. Losses on disposition of capital assets.
7. Payments for employee income taxes incident to reimbursed relocation costs.
8. Professional and consultant service costs when not approved beforehand by the appropriate AID contract officer.
9. Recruitment costs consisting of fees paid employment agencies if not previously cleared with the appropriate contracts officer. Note: this applies only when TNS enters into a formal contractual relationship with an employment agency.
10. Relocation costs for a newly hired employee who resigns for reasons within his control within 12 months after hire. Note: these will initially appear as "03" or similar expenses.
11. Severance pay when not required by (1) law, (2) employer-employee agreement, (3) established policy that constitutes, in effect, an implied agreement on TNS' part, or (4) circumstances of the particular employment if approved by the appropriate contracts officer.
12. Shipping costs when (a) a non-U.S. carrier is used, (b) a U.S. carrier was available and (c) prior approval was not secured from the appropriate contracts officer.
13. Travel expenses incurred when (a) a non-U.S. carrier is used, (b) a U.S. carrier was available and (c) prior approval was not secured from the appropriate contracts officer.
14. Other items of particular interest to AID, such as rent and printing expenses without prior approval by AID.

VIII. WAIVERS REQUESTEDA. Environmental Considerations

As a part of the prior approval process for Technoserve-assisted sub-projects under the current OPG, Technoserve must present an Initial Environment Examination statement for each assisted sub-project. Technoserve would request that this provision be waived in the second proposed OPG.

The major thrust of Technoserve assistance to sub-projects is in the area of business management, training, and installation of appropriate management systems. Technoserve works primarily as a service organization so that actual environmental impact resulting from Technoserve assistance is one step removed. Where Technoserve does become involved in the construction or repair of physical works, as may be the case with assisted livestock sub-projects, the development or rehabilitation of such physical works will always require the authorization of appropriate Government of Kenya Ministries. All contemplated or currently assisted sub-projects form a component of a much larger program effort of the Government of Kenya (i.e. Livestock Development II) which possesses the authority and responsibility for the development of livestock production enterprises in conjunction with sub-project Directors or Management Committees. All livestock enterprise development plans and annual budgets must be approved by Government of Kenya authorities.

In providing assistance to savings and credit sub-projects Technoserve is instituting the development of management, financial control, and record-keeping systems which have no impact upon the environment. The societies are financial institutions which offer savings and lending facilities to their membership. Their operations have no first-hand physical environmental impact.

Within the BASIK sub-project Technoserve is to provide management consultancy services to private organizations and community groups. These services in such areas as business management, planning and accountancy will have no first-hand environmental impact. Similarly any institutional support assistance will not involve the potential for negative environmental impact.

Technoserve would therefore request that the necessity of an environmental determination relative to the above types of sub-projects proposed herein for funding be waived.

Technoserve recognizes however, that it may wish to utilize USAID funds for assistance to sub-projects other than those specified in this proposal.

Where AID has environmental concerns related to specific Technoserve assisted sub-projects, Technoserve would request that it be notified of these concerns within 30 days of the initial submission of the sub-project request in its monthly report to USAID. Then, if USAID deems it desirable, Technoserve would be prepared to address environmental concerns related to new types of sub-projects through the preparation of an Initial Environmental Examination report.

Based on USAID's review of Technoserve's environmental submission, USAID/Kenya will communicate its disapproval of the sub-project to Technoserve in writing. USAID/Kenya will exert its best efforts to respond within 15 calendar days after receipt. Technoserve would proceed to utilize grant funds for investigatory and analytical work until such time as USAID disapproval is received in writing. In the event of disapproval, USAID grant funds would not be used for further investigatory, analytical, or Technoserve assistance in any form to a sub-project.

B. Other Considerations

Technoserve requests that the following Standard Provisions (including the supplement thereto) be deleted from the CFS agreement:

- Standard Provision 18 - Payment - Periodic Advance
- Standard Provision 20 - Payment - Final Payment

Further, Technoserve requests that the following AID requirements be waived in the proposed OPG:

- (1) Travel approvals - Technoserve requests that the requirement for 30 day advance notice and concurrence by cognizant AID Technical Officer Personnel be waived and blanket approval be granted for all travel to Kenya which will be charged against OPG funds;
- (2) Approval of sub-Grantees/Sub-Contractors - Technoserve requests that it be allowed to arrange the following subordinate agreements without obtaining the written consent of AID at the time of their execution:
 - a) Contract with professional executive search agencies in Kenya to recruit personnel under the OPG if Technoserve alone cannot locate the necessary personnel;
 - b) Contracts with printers for any publication or study performed under the OPG;
 - c) Lease arrangements for office space in Kenya.
 - d) Contracts with Data Processing Experts or firms for computerized work.

APPENDIX 'A'

TECHNOSERVE RESULTS AND COSTS
1979 - 1981

Technoserve Results and Costs

1979 - 1981

During the three year period 1979 through 1981, Technoserve operated enterprise development programs in four countries: El Salvador, Nicaragua, Ghana and Kenya. Despite periodic program difficulties in all four countries, the results of Technoserve's activities are impressive. The data presented below give an approximate indication of what was accomplished by Technoserve during this period.

- 80 enterprises or projects received assistance from Technoserve
- 40 major enterprises or projects received significant assistance
- 60 of the total of 80 projects assisted (75%) were directly related to agricultural production, processing or marketing
- 28 projects are major enterprises which are mature and lend themselves to profit and loss analysis and detailed below
- 24 of these 28 enterprises (85%) are operating profitably
- 10 of the 28 enterprises are self-sustaining as of the end of 1981 and no longer need Technoserve assistance.

Detailed operating data which lends itself to reporting and analysis through Technoserve's Quarterly Project Operating Reports are available on the 28 major enterprises. An analysis of these 28 enterprises assisted during 1979 through 1981 reveals that:

- 55,000 predominantly low-income people are members or owners of these 28 enterprises assisted.
- \$25,000,000 in total assets are held by these enterprises (\$11,000,000 held by large savings and credit societies)
- \$7,300,000 is the annual gross revenue for these enterprises
- \$1,200,000 is the annual net surplus (profit) for these enterprises.

By using various multipliers as they apply to savings and credit societies, agricultural production and processing enterprises, etc., Technoserve estimates that during the three year period approximately 10,000 direct and indirect jobs have been created or sustained by the enterprises and projects Technoserve assisted, of which 1,150 jobs were created or sustained within the 28 enterprises cited above.

Further, Technoserve estimates that perhaps 500,000 people have been directly or indirectly affected by Technoserve assisted activities.

The above results were achieved in El Salvador, Nicaragua, Ghana and Kenya. In addition to the above, 12 projects were assisted in other countries in the past three years.

Significant human and financial resources have been allocated to investigate new countries where Technoserve could start-up additional major programs. Technoserve is now poised to begin major operations in Panama, Peru and Zaire in 1982.

During the past three years, the cost of producing the project and program results outlined have been reasonable. The expenses for the three year period, 1979 through 1981, summarized below include unaudited estimates for 1981. Total expenses are as follows:

\$4,167,000	program and project activities in El Salvador, Nicaragua, Ghana and Kenya
\$ 670,000	Program and project activities in other countries
<u>\$1,121,000</u>	Supporting service activities
\$5,958,000	Total all expenses for 1979 through 1981

It should be noted that the annual gross revenues generated by the enterprises cited above were considerably greater than Technoserve's costs to provide the services during the 3 - year period.

Technoserve is currently operating with a worldwide staff of 80.

APPENDIX 'B'

HSC DAILY LOANS ANALYSIS FORM 31.12.80

Loan Report & Status

Period	No.	Value
Loans made by class of members	6715	35,468,742
Loans to members by class of date	6715	35,468,742
Loans still unpaid	NIL	AVE PAID

Analysis by Category of loans made for the Period 1st JANUARY - 31st DECEMBER, 1900

Category & Description	By Member		By Value			
	No.	%	\$	%	Av. Amt.	Per Cent
A. Land Purchase	1575	23.4	10,515,020	30	6733	19
B. Land Improvement	468	6.9	1,707,740	5	3777	10
C. Building or Lease Purchase	244	3.6	17,810,110	50	7333	20
D. Finance on Home Loan	302	4.5	827,500	2	2740	7
E. Business Purchase	70	1.0	504,900	1	7212	20
F. Business Asset Purchase	203	3.0	1,609,900	5	7925	20
G. Personal Asset Purchase	279	4.1	877,360	2	3144	8
H. School Fees	585	8.7	931,960	3	1593	4
I. Medical Expenses	88	1.3	119,600	0	1359	4
J. Debt Eliminating	39	0.5	130,950	0	3357	9
K. Investments	76	1.1	255,700	0	3364	9
L. Wedding Expenses	24	0.3	67,500	0	2812	8
M. Other	163	2.4	345,100	1	2116	6
Totals	6715	100.0	35,468,742	100.00	5292	15

Analysis by Income for the Period 1st JANUARY - 31st DECEMBER, 1900

Profession	By Member		By Value			
	No.	%	\$	%	Av. Amt.	Per Cent
General	820	12.2	3,687,890	10	4500	13
Class	931	13.9	2,519,500	7	2705	8
Profession	765	11.3	3,620,830	10	4733	14
Other	377	5.6	14,000,000	40	3713	11
Totals	2913	43.1	14,000,000	40	4800	14

... ..

...
...	6715	...
...	6715	...
...	HIL	...

Analysis by Category of ...

Category & Description	By Number		By Value			
	No.	%	...	...	...	...
A. Land Purchase	1579	23.4	10,745,030	...	...	...
B. Land Improvement	469	6.9	1,757,743	...	...	...
C. Building of House	2444	36.3	17,312,210	...	...	...
D. Building on House	302	4.5	877,530	...	...	...
E. Business Building	70	1.0	504,800	...	...	...
F. Business / Shop Purchase	205	3.0	1,603,900	...	...	...
G. Personal / Shop Purchase	279	4.1	877,360	...	...	...
H. School Fees	886	13.2	941,960	...	...	...
I. Medical Expenses	88	1.3	110,600	...	...	...
J. Debt Financing	39	0.5	139,950	...	...	...
K. Transport	76	1.1	289,700	...	...	...
L. Utility Expenses	24	0.3	67,500	...	...	...
M. Other	140	2.1	746,101	...	...	...
Total	6715	100.0	35,459,742	100.0	3502	51.1

Analysis by ... for the Period ...

...	By Number		By Value			
	No.	%	...	...	...	...
...	870	12.7	3,471,873	...	...	...
...	931	13.8	2,753,500	...	...	...
...	705	10.4	3,000,000	...	...	...
...	1747	25.9	18,700,000	...	...	...
...	262	3.9	1,000,000	...	...	...

APPENDIX 'C'

Civil servants 'feel the pinch'

CIVIL servants, like other Kenyans, have been hit hard by inflation.

This conclusion was reached by the Waruhiu Commission which has probed salaries and working conditions in the Civil Service.

The commission reported consumer prices rose steeply in Nairobi from 1977 when the Civil Service salaries were adjusted upwards to April 1980.

The cost of living index for the lower income group rose from 122.8 per cent in July 1977 to 187.7 per cent in April 1980 — a 49.2 per cent rise. The middle income index rose from 125.8 per cent to 160.2 per cent — a 27.3 per cent rise — and the upper income index from 130.4 per cent to 170.5 per cent — a 30.8 per cent increase.

In the Civil Service, the lower income group is taken

By NATION Reporter

to mean job groups "A" to "D", middle income "E" to "J" and upper income "K" to "Q".

The number of establishment posts in these groups during the 1979/80 financial year was 120,652 for the lower income, 35,948 for the middle, and 3,369 for the upper income groups.

Relative cost at current rates for each of the groups was £15,562,677 for lower, £35,528,340 for middle and £8,188,122 for higher income groups.

In addition, 2,571 employees did not fit in these job groups, consisting of Government teachers and trainees, with a relative cost of £2,966,261.

Comparing the situation with that in the private sector, the report said terms and conditions of

service in the private sector were mostly dealt with through collective bargaining by trade unions.

"While the Civil Service has had a union, the union does not appear to have entered into a collective agreement with the civil servants' employer.

"They would appear, therefore, to have been denied the opportunity afforded to other workers of reviewing their remuneration on a regular basis, and have, as a result, tended to lag behind insofar as compensation on the cost of living is concerned", the report said.

It noted that since 1972, collective agreements have been covered by the Ministerial wages guidelines. Those currently in force were issued on February 1, 1979 and apply to the private sector as well as organisations in the public sector which are party to a

BACK PAGE — COL 1

Inflation hits civil servants

FROM PAGE 1

collective agreement.

The report said a direct application of the wages guidelines to the Civil Service on the basis of the cost of living changes would result in increases of 20.1 per cent for the lower income; 12.7 per cent for the middle and 12.4 per cent for the upper income groups.

As of June 30, 1980, corresponding figures are 36.3 per cent for the lower, 19 per cent for the middle and 22.8 per cent for the upper income groups.

"Having regard to the circumstances relating to Civil Service reviews, direct application of the wage guidelines is not considered appropriate. This is particularly because, as already indicated earlier, whether the wage guidelines form a fair basis or not depends on whether employees whose remuneration is being assessed have had their previous reviews dealt with in the context of the wage guidelines and

especially with regard to regular periodic revisions over a period of time," the report said.

It added: "Our considerations have also taken into account the percentage resulting from adjustment of the minimum wage, and the fact that wage guidelines provide for higher compensation the lower income group."

The report went on: "Finally, we have given due consideration to the impact the implementation of the recommended salary scales will have on the financing of Government operations and the economy generally, and we are satisfied that the implementation of these recommendations can be carried out without causing undue distortions to the provision of other planned services and programmes."

The report reiterated the Ndegwa Commission proposal for periodical salary reviews every two years, and suggested that this be made part of the

personnel management function.

On job regrading and reclassification, the report insisted that there be liaison with the Public Service Commission on the part of the Directorate of Personnel Management.

It cautioned that "once periodic regular reviews are in force, the adjustments will have to be strictly within the wage guidelines in force and, needless to say, subject to the Government's ability to pay".

Necessary

It said: "After the initial exercise on remuneration levels and such regradings or job reclassifications as are considered necessary has been completed, then a paper setting out all the various reasons and incorporating definite recommendations should be prepared for consideration by a body external to the Civil Service.

"Such a body would have to

be appointed by the President for that specific purpose and their terms of reference should be to examine the recommendations and advise Government on the line of action. This procedure would make it possible to have Civil Service remuneration regularly reviewed without, at the same time, leaving the matter to the civil servants themselves."

The report also recommended that annual increments, with limited exceptions, should cease to be automatic.

It said: "The application of such upward adjustments are as agreed from time to time should not in any way be related to or affect a civil servant's movement within the scale. Instead, the scales themselves should move up by the appropriate percentage so that both the minimum and the maximum points move. Increments within the scales should cease to be automatic except probably for officers in Job Groups 'A' to 'F'. This will remove the undesirable practice whereby

annual increments are really a reward for just being in the service for an extra year.

"For officers in Job Group 'G' and above, annual increments must be earned and should, therefore, only be awarded on the basis of merit as determined by a fair appraisal of an officer's performance which must be the central point of annual reports."

●Another story — Page 3

Church aided

RELIGIOUS seats have been praised by an Assistant Minister for Housing and Urban Development, Mr. Njenga Karume, for attending Harambee meetings and contributing towards development projects without discrimination. Mr. Karume was addressing a fund-raising meeting at Karuri, Kiambu District, for a house for the poor in charge of Karuri Catholic Church.

APPENDIX 'D'

1. NEWS ARTICLE - (TECHNOSERVE SERVICES
MAY BE NEEDED)
2. LETTER FROM MR. DUMA (P.C.O.)

NOW ELIMU CO-OP CHIEFS ARE FIRED

CO-OPERATIVE Commissioner Alfrick K. Birgen has sacked the management committee of Elimu Co-operative Savings and Credit Society for mismanaging the society and misusing funds.

Mr. Birgen appointed a commission consisting of top civil servants including two Permanent Secretaries to rescue the society. The commission will be in office for one year.

Announcing this yesterday, Mr. Birgen called on members of the society who had left to rejoin it because he had put them in safe hands.

The chairman of the commission is the PS for Basic Education, Mr. Leo Odera and the vice-chairman is Mr. J.T. arap Leting, PS for Higher Education.

The other commission members are, the chief accountant for Higher Education, Mr. P. G. Kenga (treasurer); and the Deputy Chief Inspector of Schools for Basic Education, Mr. A. Yusuf (secretary).

The Chief Inspector of Schools for Higher Education, Mr. D. M. Mbiti, a Senior Personnel Officer with Basic Education, Mrs. S. N.

By PIUS NYAMORA

Kinyua, and an Under-Secretary for Higher Education, Mr. J. Muyemba, were also appointed members of the commission.

Mr. Birgen told the members that they had an uphill task to clear the mess in the society and they may need the services of a consultant like Technoserve, which helped rescue Harambee Co-operative Savings and Credit Society when it was in similar problems.

And he warned the out going members to guard against the temptation of absconding to avoid paying the money they had taken from the society.

"My friend, if you do that," he warned, "you will go in and the money will be recovered in other ways."

Saying that he had been compelled to fire the committee for not performing their duties properly, Mr. Birgen said that it was unfortunate that a group of educated



MR. ODERO Great challenge

BACK PAGE — Col. 1

Bosses get the sack

FROM PAGE 1

people had decided to abdicate their responsibilities and chose to enrich themselves and their friends.

He said that those who advanced themselves loans more than their share capital would have to repay the money during the allowed time but not the time they had set for themselves. Those who would fail to meet their obligations would be prosecuted.

And he ordered all the sacked members to handover all the records to the commission. "Those who absent themselves during the handover taking over process will have themselves to blame should anything go wrong," he said.

The members of the outgoing committee are chairman P.N. Oggera, vice chairman J.T. Kinyua, treasurer J.M. Machi, secretary J.F. Othman. The commission chairman Peter R. Thomas, Mr. P.N. Njoroge, Mr. S. H. Alala, Mr. J.F. Othman and Mrs. M.W. Kiri. The society's secretary manager Mr. A. Kibuka, was also sacked.

MINISTRY OF CO-OPERATIVE DEVELOPMENT

Telegrams: "CO-OPERATIVE OFFICES", Nairobi
Telephone: Nairobi 23455, 24812, 336895, 336960
When replying please quote



CO-OPERATIVE DEVELOPMENT
CRESCENT HOUSE
MOKTAR DADDAH STREET
P.O. Box 30202
NAIROBI

Ref. No. ... CS/2003/12/7.
and date

11th March, 1982.

APPENDIX F

The Chairman,
Elimu Co-operative Sav. & Credit Soc. Ltd.,
P.O. BOX 30040,
NAIROBI.

TECHNOSERVE INC
NAIROBI.

When the Commissioner for Co-operative Development appointed you and your Committee to run the Elimu Sav.&Cr. Soc. Ltd., he directed that the accounts of the society, among other things should be streamlined. He also advised that it may perhaps be necessary to engage the services of a consultant to assist you in adopting a simple accounting system. The name of the above firm was in fact mentioned.

I therefore have the pleasure to introduce to you Mr. Tom Hiddings who is the Managing Director of the Firm.

I also attached a copy of a letter indicating briefly what they can do, and in which some of the Co-operative Societies in this Country they have operated, and have certainly benefited.

You would perhaps wish to spend a little time with Mr. Hiddings and see whether or not they can provide some useful ideas to your society by way of working out a suitable accounting system.


Provincial Co-operative Officer,
Nairobi.

- c.c. The Commissioner for Co-operative Development,
Nairobi House,
P.O. Box 4011,
Nairobi.
- Mr. Tom Hiddings,
Managing Director of Technoserve, Inc.,
P.O. Box 14311,
Nairobi.

TECHNOSERVE
12 MAR 1982
NAIROBI

APPENDIX 'E'

Potential Savings and Credit Client Groups

1.	Afya Cooperative Savings and Credit Society Ltd.				
2.	Mombasa Ports Cooperative Savings and Credit Society Ltd.				
3.	Nguvu	"	"	"	"
4.	Stima	"	"	"	"
5.	Asili	"	"	"	"
6.	Ukulima	"	"	"	"
7.	Ufundi	"	"	"	"
8.	Ulinzi	"	"	"	"
9.	Jogoo	"	"	"	"
10.	Elimu	"	"	"	"
11.	Sauti	"	"	"	"
12.	Posta	"	"	"	"
13.	Kenya Bankers	"	"	"	"
14.	Ukaguzi	"	"	"	"
15.	Hazina	"	"	"	"
16.	Uchumi	"	"	"	"
17.	Bamburi	"	"	"	"
18.	C.P.C.	"	"	"	"
19.	Mwalimu	"	"	"	"
20.	Chai	"	"	"	"

APPENDIX 'F'

Potential Client in "Other" Agricultural Areas

COTTON

1. Malaba-Malakisi Farmers Cooperative Unions Ltd.
2. Nambale " " "
3. Luanda " " "
4. Siaya " " "
5. Rachuonyo " " "
6. Victoria " " "
7. Meru Cotton Farmers Cooperative Society Ltd.
8. Kirinyaga Cotton Farmers Cooperative Society Ltd.

FISHERIES

1. Turkana Fisherman's Cooperative Society Ltd.
2. North Coast " "
3. South Coast " Union Ltd.
4. Kaloka " " Society
5. Dunga " " "
6. Mbita " " "

MIXED FARMS

1. Kangondi Farmers Cooperative Society Ltd.
2. Ndumberi " " " "
3. Ndimu " " " "
4. Kerenget " " " "

APPENDIX 'G'

MINISTRY OF LIVESTOCK DEVELOPMENT



Telegrams: M5507, Nairobi
Telephone: Nairobi 33555
When replying please quote
Ref. No. RANGE/76
and date

LIVESTOCK MARKETING DIVISION
KILIMO HOUSE
CATHEDRAL ROAD
P.O. Box 68228
NAIROBI

28th October 1981

Mr. Greigg Witala,
Project Manager (Livestock)
P. O. Box 14821,
NAIROBI.

Dear Sir,

Ranch Operating Costs.

This office is trying to update the the Country-wide information of ranch operation costs. We would particularly like to have several views on how much it costs to keep one head of beef on a ranch per year. ILCA informs me that Technoserve has probably some of the best information on the ranches you are managing at present. I have no reason to doubt based on my past contact with your record keeping standards. This information, and future contacts with you, will aid in future price reviews based on factual information from several expert sources.

Could you therefore send me any information on costs/head of beef on a cross-section of ranches you are operating. You may code the ranches on district basis if you think it might not be wise to include the real name. It would however be more informative if you included the district's name.

Yours faithfully,

Head, Marketing and Evaluation Branch
Principal Economist - DPD

MINISTRY OF LIVESTOCK DEVELOPMENT



Telegrams: "MinLiv", Nairobi
 Telephone: Nairobi 720030-9/720601-9
 When replying please quote
 Ref. No. RANCE/76,
 and date

KILIMO HOUSE
 CATHEDRAL ROAD
 P.O. Box 68228, NAIROBI
 3rd December, 1981

The General Manager,
 Technoserve, Inc.
 P.O. Box 14821,
NAIRIBBI. (Attn. Mr. G. Witala)

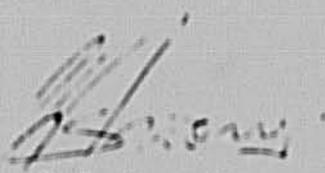
Dear Sir,

REF: RANCH RELIABILITATION PROGRAMME, NOVEMBER 1981.

I have read the report with keen interest. I highly commend the approach taken in the rehabilitation of Drumville since it indicates commitment and direction towards putting the ranch in the right footing.

So thanks for sending the report to me. One small point I raise are the economics of egg production if you have to sell eggs at 60 cents and at a 55% laying percent. Is all their feeds locally mixed?

Yours faithfully,


 Z.J. Mwangi

for: Head, Development Planning Division.

APPENDIX 'N'

Preliminary List of Potential "BASIK" Clients

FIRST	SECOND	THIRD
<ol style="list-style-type: none"> 1. Catholic Devel. Offices 2. Goodwill Industries 3. Cooperatives 4. Y.M.C.A. and Y.W.C.A. 5. C.R.S. 6. Maendeleo 7. Assoc. for Prom. Indust. 8. Maridadi Fabrics 9. I.V.S. 	<ol style="list-style-type: none"> 1. Undugu Society 2. Salvation Army 3. S.O.S. Childredn 	<ol style="list-style-type: none"> 1. U.S.A.I.D. 2. Embassy aid offices 3. Roundtable groups 4. N.C.C.K. 5. Nordics 6. PACT 7. Min. of Econ. Plan. 8. Min. of Social Serv. 9. Min. of Coop. 10. Min. of Agric. 11. Approp.Tech. Centres. 12. Kenya National Coun. of Soc. Serv.

TECHNOSERVE'S PASIK PROJECT IN KENYA DURING 1981

With the help of an initial grant of \$25,000 from IBM World Trade Europe/Middle East/Africa Corporation, Technoserve initiated a new project in Kenya titled Business Advisory Services in Kenya (BASIK).

By December 1981, a total of 15 community groups, private and voluntary organizations, government ministries and private businesses had requested and received Technoserve assistance. This initial demand for technical, financial and managerial assistance from such diverse organizations is a clear indication of the need for such a service as BASIK in Kenya.

In order to give an indication of the scope of work carried out in 1981, five groups who requested assistance have been selected and details of the work done documented below.

1. Missionaries of Charity
2. Ilkerin Loita Integral Development Project
3. Ministry of Livestock Development
4. Jogoo Cooperative Savings and Credit Society Ltd.
5. Undugu Society

MISSIONARIES OF CHARITY

This group of nuns who base their operations in one of the most devastating slum areas of Nairobi have continued their program of caring for malnourished and abandoned children. Technoserve has assisted them to acquire title to their land where a more modern health facility is now being erected, and to equip a borehole to provide water to permit the operation of their feeding program.

In mid-1981, the Sister-In-Charge called Technoserve to report that the borehole pump had broken down leaving the sisters without fresh water for the daily needs of their program. A Technoserve Project Advisor with extensive experience in the installation of water systems was able to identify the nature of the mechanical problem and analyze what repairs were required. The damaged pump parts were removed by the Advisor and taken to a local workshop where the required repairs were carried out. Water supply was regularized the following day when the repaired parts were installed by the Technoserve Advisor.

Technoserve continues its relationship with this BASIC client and plans further assistance to them in the future.

ILKERIN LOITA INTEGRAL DEVELOPMENT PROJECT

During the period under review Technoserve received a request from Mr. F. Daniels, the Project Co-ordinator, to carry out a Project Appraisal survey. The survey was completed in early December 1981 and recommends that improvements be made in the areas of accounting and financial control, staffing, planning and livestock production practices. Technoserve has advised the project's Board of Directors that it is prepared to provide assistance in these areas subject to the conclusion of satisfactory negotiations.

The Ilkerin Project is located in the Loita area of Masailand and was initiated some 10 years ago by Mill-Hill Fathers. A 3,000 acre fenced breeding ranch has been established with the aim of providing improved Sahwal breeding stock for the up-grading of local Masai cattle. The project also operates a cattle dip in the area and sells dip fluid to keep other area dips up to strength. A retail outlet has been established to provide the local residents with some basic commodities; milk from the livestock operation is also sold locally. A small tannery has been established with its output being fashioned into various handicrafts by a women's group which focuses on the preparation of the traditional colorful Masai beadwork. The center also offers a series of training courses in such areas as nutrition, child care, and livestock-rearing practices.

When Technoserve Project Advisors visited Ilkerin in late November they found that no entries had been made in the project's accounts

since July 1, 1981. Also a review of the project's past two audits established that financial records were not being maintained in such a way as to enable the project's officials to assess whether the various activities being undertaken were covering their costs. The potential for various improvements on the breeding ranch was also noted.

Technoserve has proposed that its staff design an accounting system for the project and train a bookkeeper selected by the project to maintain the system. Under a phased assistance approach, once six months accounts have been completed, Technoserve staff would complete a Business Plan/Budget for the project and train project staff in the preparation of same. The Business Plan would also contain a comprehensive analysis of the breeding ranch operations and make recommendations for improvements. With on-site assistance completed, Technoserve staff would continue to monitor the project's performance and provide ad hoc assistance as necessary.

MINISTRY OF LIVESTOCK DEVELOPMENTPROVISION OF DATA ON OPERATING COSTS OF LIVESTOCK ENTERPRISES

During the period, Technoserve received a written request from the Ministry of Livestock to provide data relevant to the actual operating costs of beef and dairy production units being operated in projects receiving Technoserve assistance. The Ministry's letter to Technoserve acknowledged that Technoserve was one of the most reliable sources for such data in Kenya.

The data provided was reviewed by officials of the Ministry as part of an exercise to determine whether producer price increases for beef and milk were justifiable. The Ministry's conclusion in this regard was positive and price increases for both products were announced on the anniversary of Kenyan Independence Day, December 12, 1981, by H.E. President Daniel Arap Moi.

The Ministry gratefully acknowledged the receipt of this data from Technoserve and stated its intention and desire to request such information when conducting future private reviews.

JOGOO COOPERATIVE SAVINGS AND CREDIT SOCIETY LIMITED

Among the participants at a two-day seminar sponsored by the Ministry of Cooperative Development and the Kenyan Union of Savings and Credit Cooperative Organizations in July were officials of the Jogoo Cooperative Savings and Credit Society Ltd. Following the seminar, at which Technoserve made a presentation, the Chairman of Jogoo requested Technoserve to carry out a Project Appraisal Report on the Jogoo Society. Two Technoserve staff were assigned to the conduct of this task and a report was compiled for the Society's Committee Members.

The Jogoo Society has approximately 3,000 members drawn from the staff of the Ministry of Home and Constitutional Affairs, the Immigration Department, the Probation Department, the Children's Department and others. It has a share capital of approximately Shs. 8,000,000 with loans outstanding in excess of Shs. 9,000,000.

The Technoserve Project Appraisal Team has recommended improvements in the loan processing, filing, computer liaison and overall work flow systems of the society and has further suggested that new accounting and financial control systems be designed and installed for the society. The appraisal report recommends a six-month period of on-site Technoserve assistance to facilitate the installation of improved management systems and the training of the society's staff to operate them.

Technoserve has further proposed that members personal records which are very much in arrears be updated and reconciled by a computerized process utilizing GOK centralized computer facilities. Successful installation and operation of such a program for Jogoo would make this facility available to all other civil service-affiliated societies wishing to up-date and reconcile historical member accounts. The Kenyan Ministry of Cooperative Development is keenly interested to see this process implemented.

Technoserve's Project Appraisal Report has been reviewed and accepted by the Committee of Jogoo and a Draft Management Services Agreement has been requested by the Society. Assuming that negotiations proceed smoothly, the provision of on-site service to the Jogoo Society should be initiated during the next period.

UNDUGU SOCIETY

In addition to the short-term projects assisted under BASIK, several other projects were initiated under the BASIK concept and then expanded into full Technoserve projects. A typical example is the Undugu Society.

The Undugu Society is a social welfare program initiated by the White Fathers for Nairobi's slum dwellers, especially the children. The founder of the Society, Father Arnold Grol, began a series of clubs geared to social activities for these unemployed youths. The youth clubs developed into activities to help the club members earn money for food and clothing. A carpentry workshop was started to provide income and vocational training. This eventually developed into the Mathare Valley Undugu Vocational Training Centre.

As a social welfare and vocational training organization working among the poorest people in Kenya, it is likely that the Undugu Society will always be dependent on donations for its existence. Still, the Society has met with some success in recent efforts to generate its own funds. The management accounting system being implemented by Technoserve will be an important aid in properly managing these activities, thereby enhancing the economic viability of the Society.

No other source of technical assistance such as that provided by Technoserve is available to organizations such as Undugu. While a number of commercial consulting and accounting firms exist, their cost is well beyond the reach of those organizations who most need them.

APPENDIX 'I'

Potential Livestock Project Clients

1. B 2 Yatta Ranching Cooperative Society Ltd.
2. Lukenya Farming and Ranching Cooperative Society Ltd.
3. Kiu " " " "
4. Konza " " " "
5. Katheka-Kai Farmers Cooperative Society Ltd.
6. Lualenyi Ranching Co. Ltd.
7. Mgeno Ranching (D.A.) Co. Ltd.
8. Sagalla Ranching Co. Ltd.
9. Maungu Ranching (D.A.) Co. Ltd.
10. Kasigau Ranching (D.A.) Co. Ltd.
11. Rukinga " " " "
12. Taita Ranching Co. Ltd.
13. Kambanga Ranching Co. Ltd.
14. Taru Ranching Co. Ltd.
15. Giriama Ranching Co. Ltd.
16. Ida-so-Godana Ranching Cooperative Society Ltd.
17. Wachu Ranching Co. Ltd.
18. Kirinyaga Ranching Cooperative Society Ltd.
19. Ilkerin Integral Development Project Ranch.

APPENDIX 'C'

OPG GRANT OUTPUT TARGETS

		Number per Annum
Investigations	-	7 - 9
Sub-Project Analyses	-	4 - 6
Sub-Project Plans	-	2 - 4
Sub-Project Agreements	-	2 - 4

BASIK OUTPUT TARGETS

(1981 CY ONLY)

Investigations	-	6 - 8
Analyses	-	4 - 6
Plans	-	1 - 3
Agreements	-	1 - 3

NOTE: BASIK output targets are illustrative only and will be revised annually and submitted to USAID/Kenya during July of CY 1982 and CY 1983.

APPENDIX 'A'

APPENDIX "K"

TECHNICAL LOGICAL FRAMEWORK: KENYA PROGRAM
ORG REQUEST TO USAID, 1992 - 1994

ANNEX 10

0-1 Objectives

- The overall objective of the program is to improve the capacity of the Kenyan government to manage its natural resources through the development of a national policy and strategy for natural resource management.
- The program will focus on the development of a national policy and strategy for natural resource management through the development of a national policy and strategy for natural resource management.
- The program will focus on the development of a national policy and strategy for natural resource management through the development of a national policy and strategy for natural resource management.

0-2 Objectives

- The program will focus on the development of a national policy and strategy for natural resource management through the development of a national policy and strategy for natural resource management.
- The program will focus on the development of a national policy and strategy for natural resource management through the development of a national policy and strategy for natural resource management.

0-3 Objectives

- The program will focus on the development of a national policy and strategy for natural resource management through the development of a national policy and strategy for natural resource management.
- The program will focus on the development of a national policy and strategy for natural resource management through the development of a national policy and strategy for natural resource management.
- The program will focus on the development of a national policy and strategy for natural resource management through the development of a national policy and strategy for natural resource management.

0-4 Objectives

- The program will focus on the development of a national policy and strategy for natural resource management through the development of a national policy and strategy for natural resource management.
- The program will focus on the development of a national policy and strategy for natural resource management through the development of a national policy and strategy for natural resource management.

0-1 Measurement of Objectives

- The success of this program will be measured in terms of the number of national policy and strategy for natural resource management developed and implemented, the number of national policy and strategy for natural resource management developed and implemented, and the number of national policy and strategy for natural resource management developed and implemented.

0-2 Measurement of Objectives

- The success of this program will be measured in terms of the number of national policy and strategy for natural resource management developed and implemented, the number of national policy and strategy for natural resource management developed and implemented, and the number of national policy and strategy for natural resource management developed and implemented.

0-3 Measurement of Objectives

- 1-10 Project Investigators per year
- 1-7 Project Analysts per year
- 1-5 Project Plans per year
- 1-4 Project Agreements per year
- Manuals, papers, lectures
- Training manuals

0-4 Measurement of Objectives

Budget Period (in US\$)	1992	1993	1994
Total Cost Elements	5704	5845	6124
Support & Reserve			
USGS (1992-1994)	100	--	--
USGS (1992-1994)	428	424	761
Other Sources	5704	5845	6124

0-5 Means of Verification

- Project evaluation reports
- National policy and strategy for natural resource management
- National policy and strategy for natural resource management

0-6 Means of Verification

- Project evaluation reports
- National policy and strategy for natural resource management
- National policy and strategy for natural resource management

0-7 Means of Verification

- Project evaluation reports
- National policy and strategy for natural resource management
- National policy and strategy for natural resource management

0-8 Means of Verification

- The Kenya financial records, annual audit
- The personnel records

0-1 Results Expected for the 1992-1994 Period

- The development of a national policy and strategy for natural resource management through the development of a national policy and strategy for natural resource management.

0-2 Results Expected for the 1992-1994 Period

- The development of a national policy and strategy for natural resource management through the development of a national policy and strategy for natural resource management.
- The development of a national policy and strategy for natural resource management through the development of a national policy and strategy for natural resource management.

0-3 Results Expected for the 1992-1994 Period

- The development of a national policy and strategy for natural resource management through the development of a national policy and strategy for natural resource management.
- The development of a national policy and strategy for natural resource management through the development of a national policy and strategy for natural resource management.
- The development of a national policy and strategy for natural resource management through the development of a national policy and strategy for natural resource management.

0-4 Results Expected for the 1992-1994 Period

- The development of a national policy and strategy for natural resource management through the development of a national policy and strategy for natural resource management.
- The development of a national policy and strategy for natural resource management through the development of a national policy and strategy for natural resource management.

APPENDIX 'L'

TECHNO SERVE/KENYA STAFF ROSTERS

(A)	<u>AT 9/78</u>	
	Tom Giddings	(US National)
	Tim Harris	" "
	Henry Bwarbale	(Uganda National)
	Eric Pinkerton	(Kenya National)
	Joseph Indodi	" "
	Martin Oteng	" "
	Thomas Gichere	" "
	Lorna Pinkerton	" "
	Davinder Sambi	" "
(B)	<u>AT 4/82</u>	
	Tom Giddings	(US National)
	Gregg Wiitala	" "
	Mike O'Donnell	" "
	Paul Wamka	" "
	Eric Pinkerton	(Kenya National)
	Peter Macharia	" "
	John Makilya	" "
	Harrison Munyoki	" "
	Joseph Indodi	" "
	Alex Kirui	" "
	Geoffrey Muthi	" "
	Henry Otieno	" "
	John Akuku	" "
	Peter Gicheru	" "
	Firdos Chaudhary	" "
	Lorna Pinkerton	" "
	Ruth Gichuho	" "
	Thomas Gichere	" "
	Moses Halahala	" "

END OF PROJECT REPORT

APPENDIX M

The Hararbee Cooperative Savings and Credit Society Ltd. was founded (registered) in 1970 to provide savings and credit facilities for Kenya civil servants employed in the Office of the President, and the Ministries of Commerce and Industry, Labour, Local Government, and Foreign Affairs. While the society grew rapidly (its membership stood at 11,791 as at December 31, 1976) it soon experienced serious management problems leading to a decision taken later in 1976 by the Commissioner for Cooperative Development to remove the society's elected Committee and appoint a group of senior civil servants to manage its affairs.

Technoserve made initial contact with the Chairman of this Management Commission Mr. J.A. Gethenji in February, 1977. Mr. Gethenji is Permanent Secretary/Director of Personnel for the Kenya Civil Service based in the Office of the President. It was agreed jointly with the Department for Cooperative Development that Technoserve should conduct a preliminary survey for the society, analyzing the then current state of affairs and offering suggestions as to how improvements could be made in certain areas. That survey disclosed the following situation.

- (a) Books of account and audit reports were not up-to-date and members had received no statement of their personal accounts with the society since 1972.
- (b) No recoveries were being made on 22% (shs.4,381,484) of all loans outstanding.
- (c) There was a long waiting list for loans, some applications going back as far as three years, the society's current account was overdrawn, and the society lacked sufficient cash to process outstanding loan applications. A temporary moratorium had been placed on the issue of loans.
- (d) Applications for withdrawal were reaching the society at a rate of about 500 per month.
- (e) The society had no loan policy with the result that there was a great deal of favouritism/corruption involved in the allocation of loans and the determination of their amount. One individual was identified who had guaranteed 22 loans.

-2-

- (f) The filing system was totally disorganized and members' records were often impossible to locate.
- (g) Staff morale was extremely low. Their terms and conditions of service had never been spelled out. Staff were members of the society, in contravention of the Cooperative Act, and had in some cases received excessive loans. Staff did not have job-descriptions and no effort had been made to organize or control work flow in the society.

After review of Technoserve's report the Management Commission and Technoserve negotiated a Letter of Understanding in April of 1977 committing Technoserve to initiate a series of tasks aimed at updating the societies accounts and records, developing management and financial control systems, and completing a business plan designed to guide the society's return to a sound financial footing. Mr. Eric Pinkerton, a highly qualified accountant was selected to head up Technoserve's Management Team and he and Mr. Joseph Indodi, both Kenya citizens, began full-time work at Harambee in May, 1977. While the tasks which they faced were enormous, the enthusiastic support and participation of members of the Management Commission fostered the development of significant progress at a very early stage. A new loan policy was drawn up and procedures for processing loans streamlined. The Credit Committee Meeting weekly began to approve all loans that were within the rules, thereby whittling down the accumulated backlog. While the society's weak cash position meant that payments in this initial phase were delayed for up to two months, people who never had loans before were receiving them and people who had never had responses to their queries and requests were now getting answers. Confidence in the society was being slowly restored, withdrawal applications declining, and new membership applications rising. New accounting and financial control procedures were developed and work was begun on updating the books of account. A new filing system was developed and a Business Plan completed in August of 1977. That plan predicted that if the newly established policies were adhered to the society would have sufficient cash by March, 1978 to pay all loans immediately they were processed. That target was achieved precisely. Additionally new terms and conditions of service were developed for staff and work was begun to reinstate payments on loans previously defaulted.

-3-

In December of 1978, The Management Commission and Technoserve negotiated and signed a one year service contract calling on Technoserve to fully implement the systems it had developed, train the society's staff in their operation and disengage itself from daily operational responsibilities. That process was completed by February of 1979. A monitoring agreement between the society and Technoserve has been designed to further assure that the transition process operates smoothly.

The results of Technoserve's work under the direction of the Management Commission is a matter of public record in Kenya, a record in which both groups can claim justifiable pride. Whereas the society had been unable to declare a dividend since 1971 (1½%) dividends of 7½ and 8% have been declared for 1977 and 1978 respectively. Membership has risen above the 16,000 mark. Share capital stood at shs.34,026,649.00 on 31 December, 1978 and increase of 75.8% over the figure prevailing when the Management Commission and Technoserve began their work. During Technoserve's tenure with the society more than 7,000 members received loans totalling in excess of shs.30,000,000.00. Loan applications which comply with the society's rules are now processed and paid within 5 - 10 days. What had been a cash deficit on current account at the time when Technoserve began work at the society had become a cash surplus of 6,500,000.00 by February of 1979 allowing loan repayment periods to be extended and some property investments to be made. Loans on which no recoveries are being made have been reduced from 22% of the portfolio to 1.5%.

During its time with Harambee Technoserve has monitored very closely both the use to which loans have been put and the type of applicant who has been served. It is gratifying note that 80% of all loans funds dispersed have gone to either the purchase or improvement of farms or dwelling units. Eighty-six percent of all loans have been for less than shs.5,000 and nearly 98% for less than 10,000. Clearly the Harambee Society is playing a significant role improving the quality of life of the low-income wage earner and his/her dependants in the rural areas. The majority of the people who save with Harambee are those who do not have access to credit elsewhere. The flow of these internally generated funds back into productive use in the local economy supports the Government of Kenya's goal of increasing local savings.

Members have also received benefits beyond their dividends and access to credit. Special discounts have been arranged for Harambee members on the purchase of furniture, grain-milling equipment (which provides the basis of small rural enterprises) and for road travel within Kenya. A special low premium life insurance policy providing accident cover as well has been designed specifically for Harambee members. Members are now enrolling in large numbers. The resulting commissions to the society are now running at shs.11,000 per month.

Staff as well as members of Harambee have benefited from the recovery of the society. Staff salaries have risen 25% overall. Additionally all staff are eligible for a 25% gratuity payable every three years, housing allowance, and educational and medical benefits. Presently 88% of the staff are participating in educational programs paid for by the society. The society has also budgeted for capital expenditure in 1979 to purchase housing facilities for its lower paid staff.

The success of Harambee, however, reaches well beyond its members and staff. Of particular note is the revision of the Government payroll computer program undertaken during 1978. Technoserve chaired a group drawn from the office of the President, the Computer Section of Treasury, the Cooperative Department and KUSCCO which has re-designed the payroll program to provide additional and more timely information to all government-affiliated savings and credit cooperatives and their members. This program has made it possible for an estimated 90,000 members to receive accurate society shares and loans balances as part of their monthly payslips. Additional by-product data available to the societies will then in the identification of defaulters and enable them to produce more timely and comprehensive accounts. Technoserve is currently making arrangements with officials of the Cooperative Department to provide a one-day seminar for staff and committees of the affected societies to train them in the effective utilization of the revised programme. This will supplement efforts which have already been carried out for some of the societies at Harambee Cooperative Savings and Credit Society.

-5-

In addition to the computer work, Technoserve staff have also joined hands with Cooperative Department Officers in other areas. Technoserve staff have joined working groups in the Department with responsibility for designing model loans policies and model by-laws for savings and credit cooperatives. Cooperative Department personnel have also informed Technoserve that some of the materials developed at Harambee are now being utilized for training purposes in the Cooperative College of Kenya.

Technoserve is indeed very proud of the achievements which have been recorded at the Harambee Society since Technoserve joined hands with the Management Commission, the Department of Cooperative Development and the society's employees to rectify the problems of the past. Technoserve would, however, like to record its appreciation for the direction and support of the Management Commission without whose selfless dedication, this success story would not have been possible. Without a partnership such as that which has been established with the members of the Management Commission of Harambee and the Department of Cooperative Development, Technoserve would have been unable to accomplish a meaningful and effective job.