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End of Project Evaluation of the Small Business Scheme of the  
National Christian Council of Kenya

A Report to the Agency for International Development  
Bureau of Science and Technology

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## EXECUTIVE SUMMARY

The end of project evaluation for A.I.D. Project No. 698-040<sup>10</sup>±.32 was conducted during June, 1984. This summary provides an overview of the project and its impacts, and of the design and conduct of the evaluation itself.

In 1980, the National Christian Council of Kenya (NCCCK) and the U.S. Agency for International Development (AID) agreed on a collaborative effort to improve income and employment opportunities in the urban informal sector of several Kenyan cities. AID's contribution to this Small Business Scheme (SBS) was to be \$275,000 for three years, provided through an Operational Program Grant, with NCCCK contributing \$152,515, for a total of \$427,515. The program was to provide financial and technical assistance to owners and operators of these enterprises, with the efforts also linked to existing NCCCK programs for social assistance and community development. A new administrative office of Small Business Coordinator was to be created and filled at the national headquarters of NCCCK, and was to be housed within the Urban Community Improvement Program (UCIP), and under the overall direction of the Director of UCIP. Business extension workers were also to be employed and assigned to these cities, where they would work with NCCCK (UCIP) social workers already in place. Technical assistance was to be provided by AID and Kenyan consultants for staff development and, on occasion, directly to clients. International consulting services would also be received for the development of a project monitoring system. This system was to facilitate feedback on project effectiveness during the implementation phase, as well as to provide comparative assessments of different social and business inputs on the development of businesses and local communities.

The project mainly involved five secondary cities, those of Mombasa, Nakuru, Eldoret, Kakamega and Kisumu, and the AID grant was to be utilized primarily in these areas. A pilot effort begun four years earlier in Nairobi would continue and be directed as a related but independent project by the Small Business Coordinator. It was expected that through the efforts in the secondary cities and in Nairobi financial assistance would be provided to 144 individual owners, and to several hundred others through loans to some 70 groups. By the end of the three year period, loan repayments were expected to provide ample resource for continuing the lending effort, even though costs of program administration and any expansions in beneficiaries might require more donor assistance. Also integral to the project was the assumption that three years' experience with the SBS would provide NCCCK with the capacity to sustain and even expand its support for small business.

This end of project evaluation is to ascertain how well the project had met these goals. The evaluation team of Robert W. Hunt and S.M.A. Mirero were to look specifically at the impacts of project assistance on individual and group businesses, and on the relationship of business development and social change in the project sites. They were also to determine which types of inputs (loans, training, advice) were most effective in creating positive economic and social changes. Furthermore, they were asked to determine the effects of donor and implementor activities on the observed outcomes. The evaluators were to study not only the effects of AID and NCCCK management, but the advisory activities of the Development GAP (D-GAP). The D-GAP was working

with similar informal sector projects in other nations under the auspices of the office of Rural and Institutional Development in AID's Bureau for Science and Technology. Finally, the evaluators were asked to say how well NCKK might be expected to do in handling additional resources for business development. A central ambition of the project was the development of the NCKK's capacities to sustain and expand business programs.

The evaluation was conducted by Hunt and Mirero from June 11-25, 1984. Each was able to review AID and NCKK file documents, many of which included detailed project monitoring information. They also interviewed NCKK and AID officials responsible for project operations, and those social workers involved with the Nairobi small business assistance efforts. Hunt also had an opportunity to talk with the main consultants involved in the Development GAP activities in Washington prior to his departure for Kenya. In addition, Mirero and Hunt spent seven days traveling to three of the project sites. There they spoke with NCKK's field staff of social workers and small business promoters, and also with twenty individual businessmen and women and with representatives of three of the assisted groups. They also spoke with thirty-two other individuals associated with the NCKK efforts, or otherwise knowledgeable about the sector and its development. They were assisted in their field studies and data collection by Mr. M.M. Chege, Small Business Coordinator of the NCKK. (More information on the approach and specific information gathering activities is included in the Methodological Appendix.)

The following are the most central conclusions from the evaluation. They are presented here, of course, without the necessary qualification and elaboration available in the body of the report.

1. The NCKK has developed an impressive capability for the dissemination of credit and technical assistance for individuals and groups.

The SBS has attained a recognized direction and autonomy, responding to its own goals and procedures independent of special interests. (Those individuals and groups deserving special commendation for these accomplishments and others to be noted, are mentioned in the main body of the report.)

2. Its assistance has gone mainly to the very poor originally targeted as primary beneficiaries. They have benefitted in terms of income, family welfare and skill development, though the extent to which these benefits have been sustained is in question.

3. There is reason to think that the NCKK will be able to expand its activities in the future while both lowering costs and better assuring that the assistance has the desired social consequences. However, this conclusion rests in large part on the assumption that there will be more stability in top management of the project than has been the case in the past. The problems which NCKK has had and continues to have with the SBS are in large measure traceable to this instability, a major past and prospective threat to the impressive coherence and direction which the program has established.

4. NCKK small business and community development activities can be substantially improved through efforts such as the following:

a. There should be an attempt to ensure better communication between field and central staff, meaning in part more effort to secure field staff participation in the management and improvement of project operations.

b. More work could be done to increase the range of activities under the auspices of local promoters, social workers, and advisory bodies, while at the same time to provide leadership from Nairobi which is clear and consistent.

c. It is important to develop more opportunities for staff training, and for the communication and interaction among staff members in each site and from different regions.

d. Gains could be made through efforts to utilize the added skills of trained staff members for modifying and making better use of existing information gathering tools.

e. Efforts should be made to see that borrowers are carefully monitored to ensure that loans are repayed in a timely fashion. The involvement of a broader spectrum of NCKK officials and local influentiais in this effort would be appropriate, especially given the organization's reluctance to use the legal system to secure repayment.

f. There should be ample recognition by the NCKK of the costs involved in the development of group business activity. This means that time, effort and resources must be spent by the NCKK (or allied organizations) to provide the individual and collective incentives required for organizational development.

In sum, the NCKK's efforts to reach the poor and generate new business and income are to be commended. They have raised incomes and have been responsible for improvements in the quality of life of client families. The project has also provided the NCKK with valuable learning experience likely to facilitate efforts to improve performance in the future. This was accomplished in difficult settings, at a time of economic distress and refugee pressure in Kenya, and with a relatively small amount of money. On the whole, it is a positive commentary on the organization's willingness to take risks and to grow, and on its capacity to adapt its past to future efforts.

Still, serious errors were made. More stability in leadership, more careful selection of clients on the basis of business potential and careful follow-up for assistance and repayment are required if the project is to survive as a significant credit and technical assistance program. These changes are even more imperative if the project is to expand its lending and extension services to other urban sites and to rural areas, and to expend significantly larger amounts of money.

## PREFACE

The basic task of this report is to provide an assessment of the effectiveness of the three year old small business scheme of the National Christian Council of Kenya (NCCCK). The review and analysis will focus on the NCCCK's growth as an institution capable of providing assistance to informal sector firms, and of integrating these efforts with those designed to bring broader household and community changes.

Any task of this sort depends on the good will and advice of many people. In this case, the authors are particularly grateful to the senior administrators of the Small Business Scheme for their help in logistical matters and their candor in reviewing their program. We thank in particular, Mr. John Kamau, General Secretary of the NCCCK, Ms. Kadzo Kogo, Director of the UCIP, and Mr. M.M. Chege, the Small Business Promoter. Ms. Kogo and Mr. Chege in particular took a very considerable amount of their scarce time to secure needed information, and offer their own perspectives on the events of the past few years. They did this with good humor and a concern for the having a comprehensive, critical (and fair) assessment of the project's impacts.

We also owe a debt to the field staff in Mombasa, Nakuru and Kisumu. Social workers and small business promoters there were helpful beyond the call of duty, often meeting late into the evening to help us gather information and review findings. They too showed good will and tolerance of what were often the fifth or sixth repetitions of extensive inquiries from outside evaluators. We were well supported, as well, by Ned Greeley and Gordon Bertolin, of USAID/Kenya, who took time from what were unusually busy summer schedules to answer questions and serve as sounding boards for our ideas. We thank Michael Farbman of AID/Washington and Doug Hellinger of the Development GAP partly in advance for what we know will be numerous questions asked before the final draft of the report is ready. Thanks are also owed to Fred O'Regan formerly of Development GAP, and Doug and Stephen Hellinger for their extensive and helpful reports on earlier stages of the project.

Jennefer Sebstad of AID (ST/RD/EED) was the administrative director for the evaluation from Washington. She was indispensable in getting materials processed and sent to the field and in the provision of basic guidance for the evaluation. We only hope that she sees in the report adequate answers to the penetrating questions she raised.

## LIST OF ACRONYMS AND ABBREVIATIONS

AIP	Accelerated Impact Program
D-GAP	The Development Group for Alternative Policies
IIDI	Institute for International Development, Inc.
MIS	Management Information System
NCCK	The National Christian Council of Kenya
NTFC	National Task Force Committee of the NCCK
OPG	Operational Program Grants
PISCES	Project for Investment in the Small Capital Enterprise Sector
PVO	Private Voluntary Organization
RTFC	Regional Task Force Committee of the NCCK
SB	Small Business
SBC	Small Business Coordinator for NCCK's SBS
SBP	Small Business Promoters for NCCK
SBS	Small Business Scheme of NCCK
SE	Small Enterprise
SED	Small Enterprise Development
ST/RD	Bureau of Science & Technology, Office of Rural & Institutional Development, USAID
SW	Social Worker for NCCK
UCIP	Urban Community Improvement Program of the NCCK
USAID	U.S. Agency for International Development

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END OF PROJECT EVALUATION OF THE NATIONAL CHRISTIAN COUNCIL OF

KENYA'S SMALL BUSINESS SCHEME

(Review of Design, Implementation and Impacts.)

I. PROJECT DESIGN PHASE

Central Questions/Issues

1. What kinds of experience had the organization in the development of assistance for small business?
2. What were the major contextual factors affecting the design of the Small Business Scheme?
3. How did the project designers respond to these contextual factors?
4. What inputs to the process of project design was played by potential beneficiaries? By organizations with similar experience or other relevant expertise?
5. How appropriate was the basic project design, given the environmental constraints and the basic needs and resources of beneficiaries and other relevant groups?

Since the mid-sixties, the National Christian Council of Kenya, an organization representing some 40 Kenyan churches and religious associations, has been involved in development work with the urban poor. Refugees and recent migrants from Kenyan rural areas are predominant among them. Such marginalized individuals are often ignored by public and private development agencies, partly because of the assumption that they are transients and difficult to reach over an extended period, and partly out of the sense that public and private agencies should not encourage them to stay in the crowded urban setting. Moreover, extension workers are often reluctant to go to the areas where these people live because of the crime and violence endemic there. Therefore, NCKs had clearly chosen a site where the isolated poor are located.

Over a period of a decade NCKK social workers served families and communities with advice on health, education, sanitation, and in the development of self-help groups. It was evident at a fairly early point that meaningful and sustainable changes in the lives of most beneficiaries required the development of business opportunities, which could make some individuals

owners--and others employees. Whether as owners or employees, their chances for continuing economic support would be increased. Therefore, the NCKK began to experiment with the development of small business enterprises, mainly focusing on group handicraft programs. The organization established a cottage industries component in 1969, with this activity subsequently spun off as an independent program. However, NCKK staff still saw the need for a larger effort at business development, one which would bring more expertise than social workers could provide in such areas as production and marketing. A financial component was also needed, since credit was clearly required as much or more than was sound business experience.

The Small Business Scheme (SBS) was born out of these concerns. It was begun in Nairobi in 1976, with a small loan fund and part time business advisor. Over a period of three years, Ksh 165,000 was loaned to seventeen individuals businessmen and women and to five business groups. There was satisfactory collaboration between the business advisor and the social workers, and the project was been as successful. Subsequently, the interest of staff outside of Nairobi in similar programs, and the perceived need to provide wider support for developing jobs and income, led to NCKK's request to AID for additional resources.

#### Project Design: Proposed Goals, Purposes, Outputs and Inputs

Basically, the project was seen as having the purpose of improving income and employment opportunities in the informal sector through an integrated program of social and economic assistance for self employed sellers, producers and service workers. A related purpose included the strengthening of the NCKK's capacity to provide technical and credit assistance. This was to be accomplished through efforts to draw upon the organization's existing personnel and body of experience and to integrate them with those of new technical specialists, carrying out new tasks. The ultimate goal of this action-oriented and experimental project was to be the improvement in community resources and quality of life, especially with regard to the position of the poorest sectors in assisted communities. Inputs of business advice and credit, filtered through the perspectives of both business and social work professionals were seen as critical to the promotion and sustaining of the small firms on which the accomplishment of goals and purposes depended.

Such a project faced major obstacles. Environmental constraints were many and varied, raising serious questions about the capacity of an organization the size of NCKK, and with the background of its personnel to operate an effective business assistance program with the intended clients. Among the contextual difficulties were:

1. The fact that the number of prospective clientele was large and likely to increase dramatically, thereby creating the potential to disrupt assistance efforts. Not only was Kenya's population growing rapidly and adding greater pressures on the urban squatter settlements, but political turmoil in Uganda, Somalia and Ethiopia was increasing the number of refugees in the same sites. People were bound to be difficult

to track in such settings, adding to difficulties in keeping tabs on the borrowers for necessary follow-up advice and to secure repayment on loans.

2. The prospective clientele were mainly unprepared for business responsibilities. Many were illiterate and living near the economic margin. They could easily be overwhelmed by unexpected illnesses, the theft of their property, or a child's educational expenses.

3. Those with business experience (usually a strong predictor generally of enterprise sustainability) were likely to be in fields which were highly competitive, given their limited skills and options. This would tend to increase their susceptibility to business and family crises.

4. Governmental bodies could be ambivalent about supporting business activities among these groups of people, or facilitating efforts of organizations such as NCCK to help them. For one thing, many would be refugees, and still others would likely be attracted to the overcrowded urban areas mainly by the prospect that they, or someone in their family, would get financial assistance. Therefore, aid to the informal sector could be seen as adding to urban problems, despite the real need and prospects for disruption inherent in ignoring the problems of the urban poor. Because most businesses in Kenya require governmental licenses to operate, this ambivalence could have added to the negotiating burdens of staff, and the financial problems of applicants.

5. The task of expanding a program with many new components to so many sites was a daunting one, despite NCCK's experiences with comparable, if smaller, efforts. The cultural differences alone between Mombasa in the east and Kisumu/Eldoret/Kakemaga in the west were substantial, and would effect the prospects for group formation, and require divergent expectations for business choice and activity.

6. Few organizations existed in Kenya to provide guidance or support for NCCK's business activities. There was no network of similar organizations with which NCCK could work. There were certainly no organizations with experience in conducting comprehensive, integrated small enterprise (SE) programs of the type proposed.

NCCK thus faced difficult, and typical, problems. They were perhaps relatively difficult because of the determination to work with the poorest and to have social workers play a major role in assuring their participation. The skill problem, and the problems of excess competition, were likely to be magnified for project beneficiaries. Moreover, the NCCK's commitment to expand the program nationally also posed special burdens, particularly when it meant hiring many new staff members. These new staff members would also find their social work colleagues having perspectives different from their own. Thus, the problems of coordination would be greater.

NCCK's decision to go ahead indicated both a knowledge of these constraints and tentative plans for dealing with them. Some of the plans were

contingent upon AID support, but others reflected NCCK's own experience and its sense of what that experience meant. Some of the SBS plans also reflected the NCCK's willingness to bear the costs where economic efficiency seemed incompatible with social needs.

1. The NCCK had a positive reputation and extensive experience in the communities to be served. They were unlikely to be overwhelmed by individuals seeking inappropriate assistance out of ignorance of what the NCCK could and would do; and they were unlikely to be seen as "easy marks" unaware of local traditions.

2. They already had a body of case work on potential business clients, compiled by social workers who had been offering some business advice over the years. Even though not experts on business matters, social workers knew where the greatest needs were; and they therefore had reasonable informed opinions concerning those most likely to profit from financial and technical assistance.

3. The project plans called for an intensive training session prior to the project's beginning to provide both the social workers and business promoters with some information about the other's profession. This would reduce some prospects for conflict and enhance the chances for undertaking the necessary processes of coordination.

4. The organization's reputation would serve it well if government should pose an obstacle. Even licensing matters might be handled since the organization could make a case for helping all the poor. Kenyan politics is essentially open and the NCCK is positioned to bargain within the political system.

5. The NCCK's reputation with its constituent churches and donors was such that it could advance a scheme which clearly proposed to risk financial losses and sustain high costs to deliver resources to the very poor. This was integral to the organization's overall development strategy and those who were involved would know this.

6. While there were no Kenyan organizations which would directly parallel NCCK's Small Business Scheme, there were some potential "allies" to be called upon, to testify to the importance of the effort and to offer other encouragement and advice. Some of these (Tototo Home Industries and Kenyan Cottage Industries) had been started originally by the NCCK.

7. NCCK was also to be associated with AID/Washington's PISCES (Project for Investment in the Small Capital Enterprise Sector) project, a world-wide effort of USAID to assist the development of the informal sector. This relationship would provide initially for project design assistance and subsequently for regular technical assistance to NCCK from a Washington based PVO--the Development Group for Alternative Policies (D-GAP). Consultants from this organization would bring to this task knowledge of related informal sector projects in other nations, and would

help to develop staff skills in project monitoring and in the provision of extension services. The PISCES effort was designed to be experimental, to support and analyze differing efforts to reach the very poor informal sector firm. It thus would provide assistance for NCK's experimentation, and be able to explain it to others.

8. The experimental nature of the project was additionally supported by AID through its method of financing. A centrally funded Operational Program Grant (OPG) was used, under the auspices of AID/Washington's Accelerated Impact Program (AIP) scheme. This arrangement meant that USAID/Kenya would share management responsibilities with AID/W (the PISCES Project from ST/RD). The result was that NCK would be given scope to experiment beyond what might be common in AID projects. AID was tacitly underwriting a venture which was designed to teach as well as to accomplish specific developmental tasks.

What conclusions can therefore be drawn about the realism of the project design? Was anything in the basic plan unrealistic, given the resources available and the setting?

1. The expectation that the loan fund would be a revolving one by the end of the grant period was probably unrealistic. It is possible that additional analysis of the actual economic constraints facing potential clients might have signaled problems.

2. The presumption that groups of very poor could be formed and institutionalized around economic performance criteria was not sufficiently tested. It is difficult to do a good job in assisting individual business activities even when they involve entrepreneurs of somewhat more substantial means than those targeted in this case. But group development adds another layer, partly because individuals so grouped are normally lacking in skills and finance and partly because coordination and personal incentive questions loom so large in business operations.

3. The expectation that NCK's central and field staffs could operate sufficiently in tandem to loan fairly large amounts of money to individuals and groups from the start of the project onward, without significant breakdowns, might have been questioned. Part of the problem here is suggested in the discussion above of group formation; but problems might also have been anticipated in securing sufficiently rapid action and coordination among several layers of the project bureaucracy over time. (D-GAP consultants did express early concern with the centralization of loan decisions. However, there were other issues, including the possibility that disagreements among SBPs and SWs would reduce the capacity for making assistance decisions.)

4. There seems not to have been sufficient thinking about means for providing flexibility in loan size and terms. This, in turn, may reflect inadequate sensitivity to the problems such as group development, where even large loans could be quickly dissipated among many members; or of the difficulty of using money only for business purposes on the part of individuals facing especially serious family crises.

5. Some problems might also have been anticipated because the lines of responsibility between AID and the project were blurred. Three bodies were to be involved, with USAID/Kenya and ST/RD to share responsibility with consultants from the D-GAP, working with the PISCES project. Such ambiguity had positive implications as well for an experimental effort such as this one; for it gave the NCCK and D-GAP a good deal of room for innovation and maneuver.

The summary questions should not detract from the conclusion suggested previously. Given the limits on knowledge about supporting informal sector business, and the degree of need to be met, the project design was "appropriately creative". The project was bound to be costly, given the small sizes of individual loans to be offered. Moreover, despite some early expectation that loan reflows would be significant sources of additional loans within the three year period, NCCK's basic approach indicated that this was not a necessary precondition for success. Finally it should be remembered that projects with clients of this type are particularly susceptible to exogenous disruptions: relatively minor economic fluctuations, droughts, crime, etc. Being "realistic" and "appropriate" in such circumstances requires a tolerance for uncertainty and willingness to work through disruption. What makes such projects appropriate is more often the capacity to respond to unexpected opportunities and to disruptions with flexibility and to build upon failure. These issues are best discussed in terms of the organization's management style and tactics for project implementation.

## II. PROJECT IMPLEMENTATION EFFORTS

### Central Questions/Issues

1. How effective was NCKK management of the project?
  - a. What were the major problems and accomplishments?
  - b. What changes in management activities would be appropriate for the future?
2. How effective was AID/Kenya management. What are the major problems and accomplishments, and appropriate changes for the future?
3. How effective was the Development GAP? What are the major problems and accomplishments of this organization? What lessons have been learned and what changes would be needed for future NCKK relationships with consulting firms of this type?
4. What overall assessment can be made of the implementation strategy and tactics, given project goals and setting?

### NCKK's Role in Project Implementation

The NCKK faced significant challenges in meeting the management tasks of the ambitious project. Some of the challenges were essentially to the internal workings of the organization: e.g., could the NCKK structure be geared up for one more activity when current staff were already over-burdened; and could new staff be effectively integrated, adapting to new programs and coordinating with existing personnel? Other challenges could be termed "external", pertaining to the organization's capacity to work with agencies having regulatory responsibilities affecting small business, or which were involved themselves in assistance activities with the same sector. Related external, organizational challenges came from potential clients: could the NCKK adapt or develop skills for more active support for individual business and for developing and promoting group economic activity? A central question underlies both these concerns: did the NCKK create an effective institution building strategy? (To put it differently: Since an institution building strategy exists in fact whether it is planned or not, how effective were the institution building efforts of the NCKK's small business scheme?)

Internal Organizational Issues: NCKK staff describe understaffing and relatively low pay (as compared with the private sector) as critical management issues. These are typical problems for private voluntary organizations-- which need to demonstrate frugality to donors, and who in any event usually receive too few contributions for the services they feel must be provided. Consequently, such organizations often centralize their accounting systems to

demonstrate responsibility to their funding sources. Centralization also helps to maximize the possibility that the limited funds will be spent as budgeted, reflecting some overall plan.

For a project such as the SBS, however, these administrative facts posed significant difficulties. Large new burdens were being taken on, and the business staff would be new. Even the social workers would be new in the sense that their previous work with business had been of a less specific nature, and did not involve the lending of money. Therefore, a few were to be asked to learn by doing, and by doing a great deal. Moreover, while having central directions could offer some protection and guidance, such assistance was contingent on ready contact with field personnel and the capacity to respond quickly to their needs. Understaffing at the center and the fact that the SBS was not (could not be) given its own accounting staff, made such rapid response unlikely.

At the beginning these potential difficulties did not seem to restrict project officials. True, there was some delay in the start-up of operations occasioned by the NCK's desire to be quite careful in staff selection, and due to the time required for training social workers and newly hired business promoters in their responsibilities. However, when the advisory and lending process commenced in the fall of 1981, the NCK was able to act quite rapidly. Early assessments by the Development GAP indicated a high level of satisfaction with the organization's ability to deliver services and loans to very poor clients. The success indicated good use by small business promoters (SBP) of the advance work done by social workers (SWs). They were also reporting on their activities in a timely and informative manner. These were positive indications that the two would be able to work together effectively.

Yet, the rate of loan disbursement was not maintained--and indeed could not have been without depleting available funds. In addition, the overall delivery of services also declined within a year. One reason was that the backlog of available clients was reduced in some sites and promised vehicles (motorcycles) were not delivered as scheduled to allow SBPs and SWs to reach beyond their current client groups. This was at least partly attributable to the reluctance of top management at the NCK to seek help in challenging an interpretation by the Kenya Customs Service which was blocking the import of the motorcycles. Of greater significance was the problem of administrative leadership from the office of the SBS program coordinator. Turnover in the office was rapid, with three coordinators coming and leaving within the first two years of the project. The impression of the current staff is that individuals selected did not have as full a commitment to the project as is desirable, and saw the job primarily as a stepping stone to other opportunities; but the salary was also relatively low, and that was certainly a factor as well. In any event, while the incumbents were competent individuals they seldom stayed long enough to provide direction and coordination. Consequently problems such as those involving transportation were not dealt with expeditiously. Beyond an original staff training exercise, there was little encouragement or direction in the area of training, though SBPs and SWs both needed further training and opportunities to meet and confer with colleagues from other regions.

The major problem growing out of the turnover in top management related to the credit portion of the project. As noted, the NCKK had strongly centralized project administration, with the Director of the Urban Community Improvement Program (UCIP) becoming the project's chief executive officer. This arrangement was compatible with the firm social base which NCKK desired for project activities. But it meant that these activities were managed by two executives at the national level, with one of the two (the Small Business Coordinator) having no direct authority over local social workers. It also meant that the UCIP accountant was responsible for both the social work programs and the funding for staff and travel--as well as for the business loans. This layering, coupled with the absence of a continuing and experienced director for the SPS, meant that money was not transferred to the field for necessary operations until long after it was requested. Delays as long as a year were reported between the time loans were approved and the checks were received by the clients. Efforts by SBPs and SWs to secure reimbursement for travel and related expenses were frustrated, and the NCKK consequently "floated" on money loaned by its own staff.

This problem with centralized decision making was in many ways compounded by the decision to create a national advisory body with the power to provide final approval for all loans larger than Ksh 3000. This National Task Force Committee was comprised of highly qualified volunteers from the public and private sectors and church community, from throughout the nation. It did offer visible proof of the project's integrity and support. It served to provide a buffer against any who would attempt to use influence to secure loans outside channels. However, unless it was to meet regularly (bi-weekly or monthly) it was bound to force delays on the rest of the operations. This is what occurred, since the committee had met only eleven times by January of 1984. It met only three times in all of 1982 and 1983, in part due to the expense and difficulty of getting these volunteer advisors together. Consequently, the NTFC became part of the management problem faced by regional staff. It served to frustrate the SBPs and SWs, and also the advisory bodies which had been set up in each region to pass on small loans and to recommend larger ones to the central body. These individuals felt powerless to complete the processes their promotional and evaluation efforts had begun.

Over the life of the project many of these problems were highlighted in the reviews provided by the Development GAP consultants. In gathering information they relied in large measure on an information process they had been instrumental in designing. SBPs were expected to keep records on the client's status at the beginning of the assistance period, and on a six monthly basis afterwards. They were also asked to compile data on preparatory work done to get clients to the lending stage. Thus, there was ample record of the problems caused by management and these data became a significant resource for project managers. They were able to get attention from the top NCKK leadership and the NTFC on a number of problems, and action on many of them--such as the maximum size of loans to be approved in the regional centers. The latter was raised to Ksh 6000 and most SBPs now feel that with continuity in national leadership in the Small Business Coordinator's office, they can improve considerably their delivery of services to the clients, and improve their relationships with them as well. In the latter case, they are counting on the Coordinator to ensure that loans they approve, and those

approved by the NTFC as well, get processed rapidly. Unless this set of changes or similar improvements are forthcoming, some SBPs feel a need to have a line of credit in their local banks. Then, when they have approved a loan, they can quickly secure the money for disbursement.

Under-staffing and problems with central management structures and activities are also partly responsible for what are two of the project's major areas of difficulty: poor repayment on loans and the slower than expected development of group enterprises. In both cases the record of performance fell well below what was planned. (More on these topics below.) The turnover in SBS Coordinators certainly has contributed to the difficulties, since better guidance and follow-up on the emerging problems in these two instances would have helped. Clear and consistent guidance could also have helped the SWs and SBPs improve guidelines for balancing need and income generating potential in the decisions to grant loans; for it seems clear in retrospect that several loans were granted to the very needy where there were very limited possibilities for business success. At least one current staff member believes this happened partly because SWs had too few incentives to take adequate account of the business program and its needs; for they were, after all, not administratively responsible to the SB coordinator. It might be expected, therefore, that advice on loans would reflect greater concern for the social work aspects of their jobs, and less regard for business accountability. The difficult tasks of developing groups for business activity might then be postponed.

In addition, the pressures work schedules imposed on field staff were felt all the more because they had not had the amount of encouragement and training they were led to expect; and such assistance and training might have made better market and client analysis possible, and have facilitated group development. However, it should be noted in fairness that even in these cases, where the performance has fallen farthest below expectations, there have been notable and promising efforts at improvement. Local staff in some areas have attempted to work out innovative solutions to the repayment problems, as through efforts to incorporate local influentials in the process of overseeing loan repayment. Innovations in the area of group development have included work to draw on the preparatory work of other NGOs so as to shorten the processes of assisting group economic activity, and avoid the duplication of effort. If the current SB Coordinator has his ways there will be added encouragement in the future for these types of activities, and more continuous documentation of successes and failures in collection and group development.

External Organizational Issues: The NCK has displayed sensitivity to its external environment. To begin with, it has shown an appreciation of the political setting in which it functions through efforts to draw local and national influentials into its operational network. Specifically, its National Task Force Committee (NTFC) and regional equivalents (RTFC) have been constituted as advisory bodies to link the parent body to local influentials-- in government, in business and in churches. The primary justifications are that such activities serve to keep the NCK in touch with influentials and provide means for drawing readily on their specific knowledge of critical

economic and political matters; and that the existence of these joint advisory bodies will dissuade those who might seek special favors from attempting to influence SBS decisions. Political buffers are especially needed in Kenya, where members of parliament tend to orient themselves to constituency service more than party activity or policy making. In what is essentially a "no-party" political system, elections depend to an unusual degree on "delivering the goods" to constituents. The fact that SBPs and SWs report little pressure from parliamentarians is attributable at least in part to the NCKK's prestige and the organizational filters provided by the task force committees, as well as local church groups.

The problem with these efforts is that they are insufficient. Political pressures have been felt, and one MP contacted SBS officials in Nairobi to intercede in behalf of prospective clients during the time our evaluation was underway. So there is reason for concern particularly if the NCKK secures funds for expanding the program substantially. Moreover, staff members and D-GAP reports suggest that when presented with opportunities in the past, NCKK's national leaders have not always used the channels of access their contacts and prestige would have permitted to advance project interests. For instance, little effort was apparently expended to push to secure customs' clearance for the promoters motor vehicles, despite the degree to which SBP operational efforts were contingent on the mobility these vehicles would provide. In addition national NCKK officials have let local SBPs deal with the exceedingly high business licensing fees in some communities, rather than attempting to encourage national government action to secure blanket exemptions for informal sector firms. Arguments may be made on the merits of these particular cases, but the point is that doubts have been raised about the value of dividends from the NCKK's efforts to build national contacts. In particular some people question whether NCKK leaders have used their bargaining resources effectively to advance SBS goals, given the relative benefits of basic policy changes in such situations as these.

These potential dangers and missed opportunities reflect a failure by NCKK leadership to view its relations with other sectors of the society, influential as well as powerless, as a part of a larger strategy of mobilization, coalition building and social change. That is to say, the NCKK has not yet come fully to see how its own efforts in developing business groups are related to its attempts to improve relations with other development assistance agencies involved with small enterprise; nor to see that both activities are affected by its interactions with the government and private sector business groups. Its external organizational behavior is not informed by a unified set of goals or economical action strategy.

As an example, there has been no effort at any site to conduct even a rough "institutional census" so as to determine what organizational alternatives are available for beneficiaries. NCKK social workers in particular have a rich store of anecdotal information of groups of varying types, groups with differing interest in and readiness for business activity. But neither they nor the SBPs have made an effort to compile and systematize such material so as to provide a useful file on group activity; nor have they been encouraged by the NCKK to do so. Were such a file to exist, SBPs and SWs could analyze

the types of incentives provided in successful groups, and how they have been sustained over time and through processes of group development. Field staff would also be able to track groups and provide counsel to them, perhaps seeking technical assistance for other local groups which had accomplishments to share. Encouraging more networking activity among similar groups might also be possible. They might as well be able to encourage group outreach to new individual clients. Such a "census" should also include local trade and manufacturing associations, even though they seldom do more than intermittent work for informal sector businesses. For they might be helped to see how their work should encompass very small enterprises, with the NCKK perhaps paying a nominal fee in behalf of its clients to secure mediation and training services from business associations--as well as market analyses.

Regional SBS offices have also done little systematic tracking of the work of other agencies--church and secular, public and private, regional, national and international--which work with informal sector business. Yet, some contacts have been made at all levels with such organizations: as in Kisumu, where collaboration with the Diocese of Maseno South and the Provincial Office of Social Services has been one reason for the larger than average number of group projects there; or in Nakuru, where there has been some utilization of government business training programs, and efforts to collaborate with government cooperatives offices. These have a tentative, partial quality. When SBPs are asked about expanding them, they have relatively few ideas. When considering collaboration with government, they also tend to be resistant, citing government rigidity and lack of commitment, particularly to following up on outreach efforts. They may be correct in many or most cases. Here again, the main point is not what the options may be in given instances. It is that there is little evident strategy for working with government officers, or for coalition building (as with other private agencies) to encourage more governmental responsiveness and support, or to supplant it with private initiatives.

A more comprehensive institution building strategy would not necessarily be costly. Rather than creating political confrontation or adding to the burdens of staff, it could reduce both since it would provide a realistic assessment of how resources could be shared and the duplication of effort avoided. Moreover, such work should not contradict the main goals and tactics of the NCKK, or cause that organization to "get lost" among larger, more powerful groups. The NCKK has a sense of purpose and experience, as well as influence and prestige. And there is plenty for organizations like it to do. It should be helped rather than inhibited by efforts to collaborate with others on the basis of comparative advantages.

The central question of concern here is this: Where does the NCKK's Small Business Scheme fit in the "web" of organizational effort directed at small enterprise development in its target communities? What can be done to advance this network of action, so that the NCKK's clients may be provided, in a cost effective way, benefits which will fit their needs and those of the community; and also facilitate efforts to deliver similar program assistance to other individual and group businesses through alternate assistance programs?.

NCKK Implementation Efforts: Summary Comments: In the wake of these comments on organizational behavior it is important to emphasize that the SBS project was basically well managed by busy and committed staff members. Only two individuals, one promoter and one social worker, neither now with the project, were thought by most to whom we spoke to have failed in their work. The selection process, therefore, was mainly effective, especially when a significant amount of time was taken for a full discussion and comparison of candidates. The main problem, already stressed, was in the discontinuity caused by the loss of three Small Business Coordinators, and the transfer of one SBP to the position of coordinator, involving the loss of his notable expertise in one of the regional centers. (He was later lost to the project as he soon left the coordinator's job as well.)

Otherwise, local advisory committee members we interviewed, along with clients and donor representatives, expressed admiration for the project managers at all levels. They saw them as open and adaptive, and commented positively on the changes which they had made in basic administrative policy in response to requests. There was strong praise for the UCIP Director, Ms. Kadzo Kogo, who had been with the project from the beginning and was a force in seeing that its purposes were kept clearly in focus in the selection of personnel and the overall management of activities. However, the fact that she is responsible for six separate divisions within the UCIP, of which the SBS is only one, made it difficult for her to maintain the type of contact with the project she might have. This may have prevented her from assisting the new SB Coordinators to master the NCKK bureaucracy and thereby to facilitate communication and coordination with and among the field staff; it may also have prevented her from seeing that the social workers--who were under a separate division of the UCIP--were taking an active role in business follow-up as well as promotion. Nevertheless, Ms. Kogo has been the most powerful and positive force in the NCKK small business efforts and needs to be commended strongly for her accomplishments under difficult circumstances. In addition, she and her colleague also deserve special praise for their tolerance of the repeated visits and questions of early, mid, mid-late, and end-of-project evaluators. No project staff could have been queried more per dollar granted.

There was substantial appreciation for the talents of the Small Business Coordinators, though most had little opportunity to make a mark on the program. The most recent (and, it is hoped, the most durable) Coordinator, M.M. Chege seems to be highly regarded for his experience and his high standards of performance. He appears able to provide staff members with a sense that they are involved in an important, long-term effort. The evaluators were also impressed with these traits, and with his analytic abilities.

Most of the SBPs and SWs have been with the SB project since the beginning--or even longer in the case of the SWs. The social workers generally have more formal academic training in their respective specialties than do the business promoters, since only one of the latter has any training beyond secondary school. Still, both groups of professionals struck the evaluators as competent, with the SBPs clearly having picked up through

short-term courses and experience a solid body of knowledge in their areas of responsibility. Moreover, the concern that social workers and business promoters would not be able to work well together seems to have been misplaced. These individuals have different talents and perspectives and where one SBP or SW is particularly strong, another may not be, and vice versa. They tend to innovate and show strengths in different areas of activity. On the whole the impression given the evaluation team was of a group of individuals who have much to contribute to their clients--and also to each other.

It would be good for these individuals to have more opportunities to meet to share ideas and learn from each other. They need to have time to reflect on project operations and potential. They could profit greatly from a discussion of their current management information system. Though some field staff have done quite a good job in collecting data on the economic and social aspects of the small business program, adequate records do not exist on activities in most sites. Perhaps the process of data collection should be streamlined, as some SBPs have suggested; or some assistance could be provided to help in compiling the necessary information. However, whatever else is done, it will also be necessary to assist the field staff in developing means for making the data more integral to project operations. Even those with good data do not utilize the information gathered or have a clear idea of what type of data is most worth collecting and using.

Management Issues for NCKK in the Future: One issue which the NCKK confronts is the potential administrative reform of the SBS management. The Council is currently considering a restructuring of its SBS program. Changes are still being discussed but seem likely to involve a stronger, more separate identity for the business development program. There will be separate accounting functions, more social work personnel in field sites working on group development--and working directly under the auspices of the coordinator. These changes are likely to make the project more effective. Their impact, however, will turn on a number of things, including personnel selection, continuity in top leadership posts, and the willingness of the organization to provide incentives (including training) to field staff.

The organization will also need to prepare adequate contingency plans for a much more extensive program. Should NCKK receive from AID or elsewhere the resources it seeks for phase two of the SBS, its business assistance efforts are likely to be more extensive. There is likely to be pressure for more work in rural areas, which NCKK seeks to undertake in any event. There will almost certainly be more money to dispense. Consequently, the need for regional market analysis at the various sites will grow, so as to see that assistance in the cities and rural areas is complementary. (When firms aided in the city have backward links to rural areas, the effect is to multiply the impact of limited loan funds.) There will also be a need for "institutional marketing" as NCKK should work to make its comparative advantages clear to other organizations working for similar goals, while in turn trying to draw on support others can provide--as in group development--without duplicating it. This all will, in turn, increase the premium on staff training and coordination. Staff training needs will also grow since there will be new personnel

hired at all levels. This will tend to increase the need for continuity in top management echelons. However, since the SB Coordinator will have a larger staff, more autonomy (and perhaps greater salary) the possibilities of keeping a person in this slot will be increased.

#### AID's Role in Project Management

The NCK small business project was funded under a centrally administered Operational Program Grant (OPG). The project was designed for funding under the Accelerated Impact Program (AIP) which provided for quick turnaround for project approval, and was designed to promote the type of experimental effort the NCK project represented. The project was actually not funded more quickly than it would otherwise have been through a mission sponsored OPG.

The SBS was also selected to have a relationship to the PISCES project, given the promise of its experimental effort to reach the microsector entrepreneur. Therefore, it was to be associated with DS/UD (now ST/RD) and through this office also with the Development GAP, one of three consulting groups working with the PISCES project. Therefore, the project was to be managed in the field by USAID/Kenya, funded on the American side by AFR/RA's Accelerated Impact Program, and assisted in the development of management strategy and information gathering by another AID project. There was positive potential in this. It would allow for separate monitoring of activities from somewhat differing perspectives. USAID/Kenya would perhaps have responsibility for ascertaining the effectiveness and accountability of the efforts, while D-GAP (doing some of the same things and thus assisting USAID/Kenya) would also be able to study the project as an experimental undertaking. Perhaps implementors would receive more advice this way than otherwise. Moreover, this type of management effort should facilitate the autonomous development of the SBS, assuming that the USAID/Kenya manager and consultants were not at loggerheads as to the nature of project activities. They seem not to have been.

The potential difficulties with this arrangement, however, are obvious. NCK might be monitored twice and in somewhat inconsistent ways on some occasions, and not at all in others. In at least one case this probably had a negative impact on the project. Late in 1983 the NCK was to sponsor or conduct field work for a required social impact evaluation. The Development-GAP consultants favored allowing a great deal of independence to the NCK in selecting the evaluation team and designing the questionnaire. Disagreements developed at that point between the USAID project manager and D-GAP consultants about the appropriate role of top NCK staff in this effort, and a decision was made to reject the NCK's plan to provide additional remuneration for any of its staff members involved in the evaluation. Some differences of opinion also developed as to the appropriateness of USAID and D-GAP personnel suggesting research design strategies and reviewing draft questionnaires. Precedent did exist for this type of intervention, as with the outside involvement in the design on the SBS information system. However, USAID/Kenya and the Development GAP failed to come to a definite decision, in part because the Development GAP consultants were not then in Kenya, and partly because of the trust which USAID had in the personnel involved.

Difficulties with the actual field work for the social impact study were soon evident. They were created in part because the research design and survey instrument were not adequate, and in part due to insufficient effort made in the selection and training of field staff. What could have been a capstone for the project's efforts, illustrating patterns of social impact in detail over time, failed to accomplish these goals.\* Moreover, little effort was made to work with NCKK field personnel in the evaluation process. While it would have been inappropriate for them to conduct the interviews, they should have had some chance to consider the questionnaire and how the items included reflected on their own priorities and notions of success; how, in short, the indicators of social change used might be incorporated in their work. Moreover, through such consultation, the principal investigator might have picked up tips from the field staff on means for generating better responses, since one of the most disappointing parts of the study was the 80-90 percent "no answers" or "don't know" registered as responses to the most critical questions. In previous contacts with clients, SBPs and SWs also have had problems in data collection, but not nearly as severe as that reported in this case.

In any event, this is one example of where there may have been "slippage" caused by insufficiently defined responsibility for project oversight. It happened to be an important but not vital part of project activity. Of greater importance was the apparent failure on the part of project managers to deal earlier with repayment problems and with the turnover in project management, despite D-GAP's flagging of these problems. Some problems were also mentioned in early reports regarding the reimbursement of NCKK project expenditures. According to the project agreement, the NCKK was to receive advances against later claims, but only if estimated monthly expenditures were submitted in advance. AID payments were sometimes delayed until after the NCKK had incurred expenses, but apparently only because advance estimates were not submitted, or were submitted after prescribed deadlines.

On the whole, as later discussions will further illustrate, the relationships among the monitoring agencies and between them and the NCKK were good. NCKK officials perceived few difficulties and were appreciative of the assistance provided. Where there were suggestions for change in the future they related less to AID management activities than the level of funding available.

#### The Development GAP and Project Management

The Development GAP's consultancy services were favorably reviewed by NCKK staff. The consultants themselves were admired for their knowledge and experience, and well liked personally. There was a strong sense that they were there to help and had the skills and commitment to be effective. Moreover, the consensus on the part of NCKK staff seems to be that assistance of the type the Development GAP provided will continue to be of value for the Small Business Scheme in the future.

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\*More detail from and about this survey will be provided below.

From the perspective of the NCKK, the Development GAP's major contributions are as follows:

1. The development of a management information system. There was admiration for the MIS, despite the fact that not all of the expected data were produced at the level of accuracy sought, nor all the existing data well used. The feeling was that the work done in developing and administering the system gave coherence to project activities. It forced promoters to think more systematically than they otherwise would have about what they were doing; and to face earlier and more directly than they might have the consequences of their actions.
2. Its impact on staff skills and self confidence. The D-GAP consultancy was seen as having provided important technical information on informal sector assistance, providing specific and useful guidance in many cases. Two of the SBPs were able to recall advice which had changed their mode of operations. Moreover, these SBPs felt that the consultants had given them something less tangible, but even more important. This was the sense that what was being done was manageable and useful. The consultants achieved all this, they felt, because of the consultants' skills and effort, and also because of their involvement with informal sector projects in other countries.
3. Its accomplishments in advancing the integrity and autonomy of the program. Though in a sense it was not their job, D-GAP consultants became significant "watchdogs" for the project. Their monitoring system was designed to bring problems to the attention of proper authorities early on. It was also to indicate why certain things were working and should be supported. However, the consultants, through their presence from time to time in Kenya, and their forthrightness in expressing support and concern, were believed also to have made it easier for UCIP and SBS officials to get the attention of their colleagues and superiors. The UCIP Director felt strongly that the D-GAP's presence, and the availability of the information base they had helped to create, were useful counterbalances at all stages of project development and operation, against special interests or personal contacts as influences on personnel and policy decisions. She was not being critical of specific individuals, not implying that the D-GAP was the only or major source of the project's independence and integrity; and this is a critical point. For what she was saying is that in any new effort it takes time to evolve processes of making decisions and achieving consistency between basic goals and day to day strategy. With the D-GAP providing data and mediation services, it was easier to generate concrete, effective, and technical guidelines for decisions, bolstered with specific information on basic project needs.

Despite the positive feelings about the Development GAP's contributions, there were some criticisms of their activity and suggestions as to how they might have further increased their effectiveness.

1. One criticism which we did not hear, but suspect was made in private by NCKK officials, is suggested by the comments on the consultancy's success: When staff is as busy as NCKK staff seems to be, even friendly visitors can be a burden. And the D-GAP consultants came quite often, asked for data, and needed to be supported logistically. The evaluation team felt some of this, as we followed in the wake of the earlier effort. The value of consulting services needs to be balanced against these costs. Evidently, the NCKK was, and is, prepared to "pay" such a bill, as the price for knowledge building in an experimental project, with an expectation of subsequent gains.

2. The advantages provided by the D-GAP consultancy might have been preserved, and the burdens minimized if a Kenyan organization had been available for the same services. Such an organization would obviously be more able to "interfere" with operations, but also could better schedule advisory work to correspond to the needs of the recipient agency.

3. The project monitoring system could have been simpler. The data collection and reporting procedures were designed to give full information for project decisions, and to provide means for testing the effectiveness of alternative inputs. However, many of the items sought are very difficult to secure from informal sector entrepreneurs, assuming a desire for accuracy! (Was there some reason why experienced consultants would have thought it possible to secure the full range of information sought? Was it only because of the presence of full-time SBPs, trained for these operations?) In retrospect it appears that by using a less complex form and seeking only the most critical information, the quality of the comparative data might have been higher.

4. SBPs felt that more time could have been spent in helping them to understand the utility of data collection. This might have involved more training efforts than the D-GAP was prepared to provide; or alternative training efforts by the NCKK itself. In any event, part of the "complexity" problem discussed above may have been a training problem. Could D-GAP consultants have given more or better examples concerning data collection, appropriate ways of asking for certain things, etc? Could they have done more to suggest ways of using the data in the field? SBPs seemed to feel that the answer was yes, despite the positive feelings they had for the D-GAP. The goals of the effort could have been better explained to some SBPs.

Finally, is this advisory model cost effective? The UCIP Director, Ms. Kogo, feels that the consultancy services were highly effective and easily worth the costs. Other staff members have echoed this conclusion, and indicated that new organizations or programs need the type of mediation which an independent and respected consulting firm can provide. Studies of development projects indicate that international firms and private voluntary organizations can bring special capabilities in this regard, as they stand outside of organizational politics and can provide visibility and support, especially when backed by major donor organizations. Because of these feelings, Ms. Kogo is including a request for similar support (by a Kenyan

consulting group, if possible) for future SBS activities. This conclusion may be accurate but the specific lessons drawn too narrow. It would be appropriate now for the NCKK to look to Kenyan banks, universities, chambers of commerce, other NGOs, for aid in training and mediation since some of these organizations have been gearing up to support SED. The NCKK is strong enough to collaborate with such bodies to accomplish some of the same purposes sought by D-GAP. It is this type of networking effort which might generate effective "phase two" consultancy relations.

Summary: Project Management and the Implementation Process.

The management of the SBS project was generally quite good. There were impressive accomplishments, particularly given the small budget and the scope of the effort. This success is attributable in large measure to the skill and effort of NCKK staff, and the support they had from the Development GAP and AID. Perhaps even more impressive and promising from a management perspective is how the organization has learned from past efforts and moved to adopt changes likely to tighten management procedures and improve staff training and communication.

### III. PROJECT IMPACTS

#### Introduction: Using Systems Impact Analysis

At a recent series of AID and PVO-sponsored workshops in Washington, participants from a number of donor and academic institutions sought to establish guidelines for the evaluation of small enterprise projects. The guidelines which were produced call for a valuation of projects in terms of three general standards: first, the approach to SE development which the organization itself takes, reflecting what it thinks is important among the changes it seeks to bring, and in what sequence the changes might be expected to appear; second, what constraints and opportunities are provided by the project setting; and thirdly, to what extent has the project generated changes which are economically sound and which also fit the expectations and needs of direct beneficiaries and the broader community. In terms of the latter category of benefits, there is concern for four specific types of "value added". Impacts are to be measured in terms of the project's effect on (a) business enterprises, individual and group; (b) the linkages between firm activity and the local economy; (c) human and social development (including family and community benefits); and (d) institution building, involving not only the development of implementing bodies, but of support networks of complementary organizations in the public and private sectors. We seek to evaluate the SBS on the basis of these criteria.

It would normally be inappropriate to apply newly devised standards to assess a project's impact. However, these standards were designed with substantial input from organizations similar to NCKK and sympathetic to its approach to development. Moreover, as noted, the proposed evaluation framework calls for a full accounting of the particular approach of an organization in assessing "weights" to the various categories of benefits. For an organization with a strong social commitment, such as NCKK, the methodology calls for attributing particular emphasis to project impact on human choices and structural change. Also, in tempering benefits assessment with a concern for project context, it offers supplementary means for checking on the accuracy and fairness of conclusions regarding benefits delivered.

In any event, these categories seem very close to those set down in the original SBS project design, and to cut across the list of potential outputs, purposes and goals the project was designed to fulfill. For instance, the NCKK's effort was first geared to the provision of assistance to informal sector businesses, or to assisting people to start small enterprises. This would increase employment and income among the poorest members of society. Increased income to entrepreneurs and workers (if widely distributed) would presumably redound to the benefit of many of the poorest families, and to the extent businesses could be made sustainable through credit assistance and advice, such benefits would continue. The lending agency should then be able to secure loan repayments at a rate sufficient to allow for additional lending. In addition, the wider community should be positively affected by the channeling of this new income into consumer purchases or savings; and by the increased availability and variety of goods. Finally, individual entrepreneurs, their families and others in the community should also receive less

tangible benefits, including an increased sense of choice, self-confidence and selfsufficiency.

These changes in turn should strengthen the NCKK as a development body, making it capable of sustaining and expanding on current gains. Its reputation and visibility would encourage collaborative relations with development agencies having similar purposes, emphasizing the comparative advantage of each and strengthening the overall effort. Such organizations and networks could become effective representatives of the poor in a competitive political economy, creating new forms of mediation for individuals usually isolated and exposed. The central questions, therefore, are these: Which elements of this pattern are visible? And are the inter-relationships of outputs, purposes and goals visible at the end of the three year grant? Where they are not visible as expected, what factors in the NCKK approach or the project context should be assessed for mitigating circumstances?

Cost factors are obviously critical as well. What has the project expended? What evidence is there that this money bought more benefits for the poor than some other approach? Alternatively, if we assume that the benefits created are generally satisfactory, what savings are possible in generating the same type and level of benefits?

As a means of answering these questions, the evaluation team drew on a large base of data and analysis. The base included basic project design documents, regular reports by NCKK field staff, a separate assessment of the project's social impact based on an extensive field survey (1983-4), and four assessments of project activity based on the monitoring activities of the Development GAP. The evaluation team thus could draw on a substantial body of data on loans and repayment, and on the economic activity of assisted firms. However, it was clear from the Development GAP reports that these data were in some cases incomplete and unreliable--and in others unbelievable. These omissions and errors were partly the product of the inexperience and lack of training of SBPs, but even more of the quality of response which beneficiaries could and would provide to investigators. Many of the creditors are illiterate and few are inclined or able to keep adequate records. Clients have also learned tactics of postponement and diversion, so that only with extreme persistence can the busy SBP get many of them to keep books, and then usually only for a short time. Indeed, reports from other informal sector projects suggest similar problems.

Consequently, while we sought to draw on the written records available from the NCKK and the Development GAP, we also felt the need to gather some data on enterprise performance independently. This proved to be difficult, given the time available for the evaluation, and the travel involved in getting to several locations. There was no time to select a random sample of respondents in sufficient numbers to assure representativeness; and no reason to feel in any event that we could do a better job in getting a complete picture than had been done by full time staff in the past--supported as they were by an international consulting team. We had every evidence that these individuals were both qualified and motivated in their work, and that we could not add much of significance to the data they had collected. We therefore

attempted merely to talk with a few clients in enough detail to acquire a flavor for the situation they faced, and some understanding of the links between loans and technical assistance on the one hand and their decisions and actions on the other, and then to understand the links between these inputs and the performance of the firms. We sought lengthy interviews so that Mr. Mirero, as a person experienced in banking and credit assessment, could supplement or reconstruct some of the data available in NCKK files. We attempted to interview one woman and one man in each site, as well as one who had started into business with the NCKK loan, and one already established. We also sought to achieve overall a broad distribution of business types. Finally, we tried to supplement this sample with interviews at each site with discussion with at least one owner of a failed business, and one individual who had applied to the SBS for a loan but had not yet received it.

In all, eighteen clients and more than thirty representatives from three groups were interviewed. To supplement these interviews, we also spoke with AID and NCKK officials and staff, as well as with local advisory board members, representatives of other PVOs and the business community, and regional government officials. These discussions added another 25 respondents to our list of contacts. Mr. Mirero conducted the interviews with clients and undertook the major portion of the analysis of economic data from these interviews and the files. Mr. Hunt met with some individual clients and the three groups, and conducted the interviews with local officials and with NCKK staff members. (See the Methodological Appendix for additional details.)

#### Economic Benefits: Business Formation and Development

1. How many new and existing business firms were provided assistance through the SBS? How many individuals received assistance, how many groups?
2. What combinations of technical and financial assistance were provided? What type or combinations of assistance seemed most effective?
3. What evidence is there of increased income, sales, and profits for assisted firms? What factors are most important in explaining gains which were made?
4. Were business skills increased among SBS clients? Did increases in skill relate to business performance?
5. What were the major causes of business weakness and failure?
6. What are the major linkages between project inputs and management on the one hand, and the reported impacts on the other?

#### Data and Analysis

The main findings on the enterprise level benefits which the NCKK project has produced are listed below. It is important to review them while keeping

the following issues in focus: First, that the NCKK sees business performance as a critical outcome in its SED projects. Therefore, these findings are central to an evaluation of the NCKK effort. However, and secondly, it is critical to recall that the project is a new one, built by new staff in a relatively short period of time, and with beneficiaries no more than minimally experienced as creditors, and implemented by staff members who sometimes had little support and direction from the national office due to discontinuities in leadership and bureaucratic delays. These are critical approach and context factors to bear in mind.

### Findings on Business Development

1. During its three and a half year's activity, the NCKK Small Business Scheme provided loans totaling Ksh.1,056,130 (about \$80,000). This represented approximately 90 percent of the amount anticipated in the project paper (see Table I).

a. Loans were provided to 315 individual firms, which is about two and one half times as many as anticipated. However, loans to groups were far fewer than expected. Only fifteen groups received loans, when the three year target was to provide financial assistance to some seventy groups. The major types of firms assisted were small vendors of fruit and vegetables, with about 40 percent of the firms falling into this category. Most of the remaining clients were traders in charcoal or clothing, or they were tailors (see Tables II and III).

b. Technical assistance was provided mainly in three areas: the use of credit, procurement and stock control and bookkeeping. It is estimated that technical services have been provided by Small Business Promoters to some 6000 individuals--within and without groups--in the various sites over the past three and a half years. SBPs and SWS argue that were the numbers of informal contacts added in, particularly with individuals and groups just beginning to consider business operations, the totals would be much higher.

2. Loans were provided mainly to existing firms, with only about 20 percent of the loans going to new enterprises. Most of the recipients were women, with approximately three-quarters of the individual loans going to women and most of the group loans going to predominantly female organizations.

3. Data from SBPs and four monitoring assessments by the Development GAP indicate that the NCKK credit assistance has increased the income level of borrowers. Reported increases in income range from 10-70 percent in the short-run, with longer-term figures indicating a smaller percentage gain. Comparable results have been found for achievements in sales and profits. Moreover, Mirero's analysis of the data on eighteen respondents found business asset levels up by about 90 percent and personal income gains averaging Ksh 15,000 per year since the date of NCKK loans.

TABLE I  
LOAN STATISTICS TO DATE IN COMPARISON TO BUDGET

AREA	TOTAL NO. OF LOAN GRANTED				TOTAL AMOUNT LOANED KSHS				TOTAL BUDGED KSHS			
	1981	1982	1983	1984	1981	1982	1983	1984	1981	1982	1983	1984
NAIROBI	29	68	29	-	83500	91000	83000	-	94500	169125	190560	-
MOMBASA	10	19	8	24	14000	39510	16420	143600	63000	121268	137928	149000
NAKURU/ ELDORET	27	42	9	44	42000	69900	21000	156200	47250	86620	99816	160000
KISUMU/ KAKAMEGA	9	29	14	23	52700	63500	32800	165000	47250	86620	99816	160000

NB. It will be noted that for every year during the project period the amount advanced fell below the budget figure. This is indicative of delays in processing and despatching loans.

TABLE II  
3 YEARS COMPARATIVE LOAN STATISTICAL FIGURES PER SITE

SITE		1981		1982		1983		1984		TOTALS	
		NO.	KSHS	NO.	KSHS	NO.	KSHS	NO.	KSHS	NO.	KSHS
NAIROBI	INDIVIDUALS	29	83500	39	91000	29	83000	-	-	97	257500
	GROUPS	0	-	0	-	0	-	-	-	-	-
NAKURU/ ELDORET	INDIVIDUALS	28	42000	34	69900	9	21000	44	156200	115	271100
	GROUPS	0	-	0	-	0	-	-	-	-	Nil
MOMBASA	INDIVIDUALS	4	14000	14	29510	8	16420	21	103600	47	163530
	GROUPS	0	-	1	10000	0	-	3	40000	4	50000
KISUMU/ KAKAMEGA	INDIVIDUALS	5	10000	17	22500	14	32800	20	70000	56	135300
	GROUPS	3	42700	4	41000	0	-	3	95000	11	178700
TOTALS	INDIVIDUALS	66	149500	104	212910	60	153220	85	329800	315	827430
	GROUPS	3	42700	5	51000	0	-	9	135000	15	228700

TABLE III  
BREAKDOWN PER AREA BY TRADE TYPE FOR THE PROJECT PERIOD

TOWN		Small Restaurant & Kiosks	Shoe Repair Tailor- ing Emb roidery second hand clothes	Provi- sion Stoves Grocery shops & curio Kiosks	Hand Craft & Carp- entry	Fruits & Veget- ables	Fish, Meat & other food stuffs	Agri- culture Poultry keeping & pig feed	Char- coal & Para- ffin	Plastic Cont- ainers & drums	Metal works & watch repairs	TOTAL
NAIROBI	1981-2	5	21	15	-	12	2	2	8	1	2	68
	1983	1	14	9	-	-	4	-	1	-	-	29
	1984	-	-	-	-	-	-	-	-	-	-	-
MOMBASA	1981-2	5	3	5	-	3	2	-	1	-	-	19
	1983	2	1	1	-	1	2	-	1	-	-	8
	1984	2	6	9	1	2	4	-	1	-	-	25
NAKURU	1981-2	-	11	3	2	6	-	-	4	1	-	27
	1983	-	2	-	1	-	2	-	-	-	-	5
	1984	4	4	2	2	4	-	-	6	-	-	20
ELDORET	1981-2	2	2	2	-	5	1	-	3	-	-	15
	1983	-	1	1	-	1	1	-	1	-	-	5
	1984	1	5	5	-	5	3	-	-	1	-	20
KISUMU/ KAKAMEGA	1981-2	3	7	1	1	12	4	-	1	-	-	29
	1983	1	4	4	1	3	2	-	1	-	-	16
	1984	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

4. Our evidence indicates somewhat less success for some of the business groups than has been suggested by earlier status reports. Activities of many group members appeared to be marginal, with many complaining that the amount of money the group could spare from its loan total for their personal business efforts was too limited to allow them to withstand business crises. Group activities in one highly regarded case (the Maweni group in Mombasa) had all but ceased, though a rental property they are having constructed may soon provide significant revenues. We heard of more successful group activities in Kisumu, and were able to make contact with one which indeed seemed to be prospering, though mainly as a conduit for pre-existing and successful trading operations.

5. About five percent of the enterprises supported by the NCKK had closed down. Some were thought likely to re-open, and some of the borrowers were continuing to make payments.

6. Repayment rates were only fair in the best cases (see Table IV). Even leaving aside the difficult Nairobi case, the best efforts produced only a seventy percent repayment rate. Recently, the rate of repayment has improved and current administrative arrangements make it probable that the improved performance will continue. Beyond the accomplishments under the new regime, it might be possible to reduce defaults and delays even more by setting up separate arrangements, including grant packages, for a limited number of the poorest of potential entrepreneurs.

#### Economic Benefits and their Antecedents

The NCKK small business development project was designed to be experimental. Among the benefits sought was information about which inputs and management decisions seemed most associated with business performance and social change. The MIS system, and the various monitoring activities of the Development Gap were to assist in the gathering of this information; as were the end-of-project evaluations. Consequently, we suggest here what the evidence is on these issues, summarizing data collected at early and mid points of the project, as well as from the social evaluation completed early in 1984 and this end-of-project evaluation.

##### 1. Types of assistance (inputs) and their effects:

a. The smaller the size of loans provided, the smaller the level of sales and profits in assisted firms. [Larger loans, essentially those over Ksh.2500, were not guarantees of success, but few of the firms among the strongest performers received the smaller loans.]

b. In general, the more time spent on training, the better the performance. [Training in bookkeeping and on procurement and stock

TABLE IV

LOAN REPAYMENT ANALYSIS PER AREA AS AT MAY 1984

SITE	YEAR	NO OF LOANS	AMOUNT GRANTED	AMOUNT EXPECTED	AMOUNT RECEIVED	% PAID
NAIROBI	1981	29	83500	-	-	-
"	1982	39	91000	NOT	-	-
"	1983	29	83000	AVAILABLE	59225	23
"	1984	--	-----			
NAKURU	1981	18	29500	30355-35	22818	75
"	1982	24	48900	43765-85	23523-15	54
"	1983	4	12000	3271-10	2710	83
ELDORET	1981	7	11500	11821-10	9871-35	83.5
"	1982	7	18000	13877-80	11247-55	81
"	1983	5	9000	2011-10	1893-40	86
"	1984					
KISUMU	1981	8	54080.70	54080-70	42871-50	79
KAKAMEGA	1982	21	65720-15	65720-45	35469-30	54
"	1983	14	34802-50	9144-85	8173-35	89
"	1984					
MOMBASA	1981	4	14000	-	-	-
"	1982	15	39510	NOT	-	-
"	1983	8	16420	AVAILABLE	78152	36.6
"	1984	27	143600	-	-	-

NB. The repayment percentage for Mombasa and Nairobi are based on total loan granted as opposed to amount due. The actual repayment figure is therefore higher.

control were particularly important. Training in credit utilization did not seem to relate to increased chances for business success.\*]

c. The numbers of group enterprises formed are, not unexpectedly, a function of the range and depth of efforts expended by the NCCK and other social services agencies in a region to develop such groups. However, these numbers also appear to reflect the extent to which a tradition of group-centered activity exists in a given region.

2. Nature of assisted firms: significance for business success.

a. The size of the firm (numbers of workers, fixed assets at the time of the loan) did not appear to be strongly or positively related to business success.

b. No one type of firm appeared more likely to have business success. Some potential areas where firm type may make a difference in the future include situations where assistance is provided to a firm entering an already saturated market (e.g., fruit and vegetable marketing) or where a great deal of capital is needed for maintaining production or inventory, as with retail stores.

3. Background and character of individual beneficiaries as an effect on business performance.

a. The more disciplined the individual, in terms of such things as record keeping and time spent on business activity, the more the business success.

b. The more experience the individual has had in the same or similar lines of business, and/or the more business relevant skills acquired via experience or training, the greater the level of business success.

c. Men tend to operate more successful firms, as they tend to be more skilled and to receive larger loans; and perhaps since they also tend to spend less of their business income in meeting family needs. This latter proposition needs further testing since the relatively fewer resources men spend to meet current family needs could mean they invest more on the business than women do, or that they are more likely to spend it on themselves than women are.

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\* D-GAP consultants argue that the negative relationship in the case of credit education may simply indicate how badly the training is needed, with those receiving the training really being the worst off in terms of financial assets and the understanding of financial management. Alternatively, they might have argued that training works where the student can expect to translate his/her new knowledge into action; and more credit knowledge may be of relatively little use among the poorest with limited access to resources.

### Summary Points on Benefits to Enterprise

In this important area of activity for the NCKK the record was generally a positive one, particularly in view of the short duration of the project and the rather fragile financial status of a substantial number of clients. An extension staff was trained and motivated to provide a range of extension services and promote loans. A large number of firms were reached and reports on business activity and profits were on the whole positive, even impressive. Starting and sustaining group enterprises did prove to be a major problem and there seem to be few specific ideas or plans for improving the record. However, there are a number of groups which are seen as eligible for loans, and perhaps as much as doubling of the current number of group based enterprises can be expected over the next year. A more systematic and sustained effort, built on recognition of the need for providing appropriate individual and collective incentives over an extended period of time could substantially increase the number and success of groups.

Loan repayment remains a problem as well. The NCKK field and national staff seem fully aware of the significance of this problem and, as noted, to be taking steps to improve selection and monitoring operations so as to reduce delinquencies. However, there are structural issues embedded in this problem. The NCKK can argue that its developmental philosophy and commitment to the poor may be compatible with a flexible approach to repayment. Obviously this raises difficult issues for the organization's donor agencies, but where the purpose is to reach the very poor, it seems appropriate to spell out the consequences--especially if you are reaching the very poor. (More on this below.)

### B. Economic Impacts on the Community

1. Have business developments (income, new sales and marketing patterns) affected the local economy in a significant way, especially by increasing the incomes of other producers and traders? [Are there more local purchases of goods and services; more backward linkages to farmers for basic products traded?]
2. What have been the consumer benefits of project activity? Has the amount, diversity and price of consumer goods been improved from the point of view of local consumers?
3. Has overall labor demand increased? What are the employment impacts?

### Data and Analysis

It is difficult to speak authoritatively about the backward and forward linkages of enterprise development projects. A considerable amount of data is required to ascertain how business activity at one level affects others, especially if there is concern not only about new business generated but about

the possible deleterious effects on other enterprises--such as those using simpler technologies. The original project paper for the NCCK Small Business Scheme expressed interest in such questions, with note made of the importance of market analysis which SBPs were to conduct. Local promoters were presumably to know where creditors were likely to "fit" in the local scheme of things, and to advise and assist businesses in finding suitable markets--for raw materials, for intermediate products, and for the goods the beneficiaries sought to sell.

There is little evidence that these matters were of great concern to the SBP. This is understandable for a number of reasons, including the fact that the incumbent promoters had little training in market assessment of this type and had a good deal of other work to do in starting the program. There is at least one other factor: as one SBP said, even if we know what types of businesses were needed in an area, or could prove that a particular client should be in another business, how can we expect the poor to be that adaptable? An unskilled middle-aged man or woman with a limited access to transport cannot easily learn a new trade, or move to a better locale. Therefore, market analysis seems mainly to have involved efforts to see whether the borrower actually know something about procuring and selling the items traded, or producing and marketing the manufactured items in question. Also, the amount of money involved in NCCK loans was quite small in the large markets served. Significant economic impacts are unlikely, at least in the short term.

Indeed little evidence existed in the SBP records about the community economic impact of the NCCK. However, the procurement, marketing and income effects reported for NCCK activity suggest that some important backward and forward links must exist. As we will see below, borrowers report expanded consumer good purchases along with expansions in inventory and turnover. These indicate impacts, usually local in nature, since most rely on produce or raw materials available in the immediate locale. Moreover, consumer benefits would be expected at least to the extent that a larger amount and variety of goods would be available in many cases closer to where individuals live. Many of the financed traders operate in residential areas where no other outlets for basic foodstuff and cooking materials exist and where the nearest alternative outlets are a considerable distance away.

The evidence here is substantial, if largely anecdotal. Among several examples we heard is that of the charcoal seller in Nakuru. He started with essentially no assets after losing an arm in an accident. He has repaid his loan, taken a second, and now has a large, well operated charcoal outlet. He also has two full time employees. He supplies most local butchers and hotels with charcoal, as well as other charcoal sellers who can buy from him relatively cheaply as he now buys in bulk. He supplies families on monthly salaries with charcoal on thirty day terms. There are similar examples of several fruit and vegetable sellers who have become wholesalers while operating their own retail outlets as well. A manufacturing example of considerable potential can be found in the case of a woman in Mombasa who makes improved charcoal stoves by enclosing existing burners in concrete sleeves to preserve heat and prolong the life of the charcoal. She gets raw materials and intermediate components locally.

These findings do not of course give a full picture of what is occurring. Obviously the successes of the charcoal and fruit/vegetable dealers and the stove manufacturer are positive indications of the NCKK impact for these cases, and through them to other consumers and businesses. But we do not know how much the people impacted forward and backward have saved. We do not know how many people have been impacted by these and other NCKK businesses; nor do we know how extensive the impact has been where it happens. Finally, we cannot be certain what the impact may have been on competing wholesalers and retailers, as it is possible they were forced from their business by these successes.

#### Impact on Enterprise Employment

Enterprises assisted by the SBS were expected to generate new employment opportunities within urban and peri-urban areas. However, there currently are no estimates of the overall employment impact of the project, and this kind of data is always difficult to secure. Still, we can say some things about the direct employment impact of NCKK loans, even though here also we have only limited data, from various samples and sources, collected at different points in the course of the past three years; and even though the assessments have not defined what is meant by "employment" so that we are unable to say whether new jobs are permanent, and whether family contributions to the production and selling of goods has been counted. Moreover, the employment impact in group projects is even more difficult to ascertain, since groups vary in the extent of support they provide for individual and collective business, and in the continuity of business operations of group-based enterprises. It would take careful surveys to determine how many additional work years have been generated through group loans. The NCKK could gather the data needed in the future, drawing mainly on the information system now in place--and it should make the effort.

In any event, there is some overlap in the employment result reported by NCKK field staff, the D-Gap reports, and our own survey of 18 forms. In the latter survey, we found 8 new full-time, non-family employees having been employed. One Development Gap study reported that approximately one new full time job had been created in every 2.5 of the established enterprises which the NCKK assisted. We have concluded that about 80 percent of the assisted firms were already in operation, making the total of established firms assisted about 250. This means that approximately 100 new employees could be said to have been added by NCKK efforts (assuming that most employers had limited assets and that the NCKK loans make most of the difference). If we add 60 more workers to the total to represent the number of new businessmen and women assisted, (20 percent of the total) we arrive at an employment impact of 160 workers.

We could also add to the employment list a figure to represent new workers in the fifteen group enterprises, or through group support for individual business. Let us be conservative in this case and suggest that group business efforts have created 40 new jobs. This makes a total of 200 new jobs created through the SBS project. Project expenses for the three years were

\$80,000. If we divide 200 into that figure, we see that each new job cost \$400. We could easily have reduced this figure by doubling or even tripling the estimated jobs produced in groups; but we could also have raised cost figures by estimating how much additional money was secured and invested by entrepreneurs to complement the NCCCK assistance. Therefore, \$400 might be a reasonable figure to use.\*

These figures compare favorably with other assessments of the costs of job creation. For instance, the International Finance Corporation has estimated that it would cost over \$13,000 in investment to produce a job (in a more capital intensive manufacturing sector) in Kenya. The Institute for International Development Incorporated (IID), on the other hand, working with somewhat smaller, less capital intensive firms, believes that it should take about \$850.00 to produce one new job (again, not counting the resources which the entrepreneur would bring to the firm.) They expect assisted firms to create one new job for each \$850 IID provides in loans.

### Summary Comments

The NCCCK has some evidence that its projects create positive economic changes broader than their effect on the viability of individual or group firms. The evidence on consumer benefits, on jobs and on other enterprises, however, is not complete. Additional efforts to document these linkage impacts would assist the NCCCK to determine how better to use its limited resources, to promote (perhaps with other assistance agencies) more dynamic local growth--and jobs. Plans to implement scheduled training for SBPs are welcome, and should include attention to the means for analyzing market impacts of these types. Are there trade-offs here, for instance, as in other settings, between job promotion and equity, with the firms most likely to hire new people also being larger, mainly manufacturing firms? And the same question may be asked about linkages among enterprises, as small, trading firms (most likely to be run by poor women) are also less likely, on average, to have significant impacts on other firms in the local economy.

### C. Social Changes: Equity and Personal Growth

1. Are those receiving financial and technical assistance from the SBS among the poorest in their respective communities? (Alternatively, have substantial resources gone to those who do not need the financial assistance?)
2. Has the quality of life for clients and their families improved? For the communities in which they live? (Nutrition and health; education; sense of well being, family relationships.)

\* The NCCCK social impact survey (1983-4) estimates that about 500 new jobs have been created by the project.

3. What is the impact of the project on women and children?

4. What has been the project's impact on individual and community participation? Do recipients and their families become more aware and active in local affairs, as a means for advancing and protecting their interests? As a means for influencing community affairs more generally?

### Data and Analysis

We drew on the same data sources mentioned previously for the analysis of social impacts. Information collected regularly by social workers and small business promoters on social change, reviewed by the Development GAP was of considerable significance. This information was coupled with the NCKK's social impact survey of late 1983 and early 1984. The results were known to us as we interviewed beneficiaries and various officials during the end of project evaluation.

Based on these data, the question of the project's social value is quite easy to answer. Clearly the beneficiaries are poor and live in impoverished surroundings. Few have had previous bank loans. Moreover, the size of the loans they seek and accept indicates further that they have few options and visualize business operations in terms of very simple types of activity. Many do not really see themselves as businessmen or women, but as people following one of a very limited number of options for securing some income to meet personal and family needs. We interviewed one government official with considerable experience in the provision of training and financial assistance to small traders who had great difficulty in understanding why business people would seek loans as small as the NCKK provides. He felt that his program was directed at small tradesmen and women, and yet his loans were more than five times larger than those provided by the NCKK.

Many of the NCKK's clients are women, and indications bolstered by many business studies that the poorest are being reached; and the fact that their loans tend to be the smallest given further suggests their relative poverty. Such loans are also partly a reflection of the impact which the social worker and social concerns have had in the selection of project clients. Most who come to social workers are women, and many of these individuals are the ones who secured the SBS loans. [Nor are these small, female run firms inevitably failures. On average they have done no worse than men--though large, mainly male run firms are those which have reported the greatest successes.]

A clear majority of the small entrepreneurs seem to be poor by Kenyan standards. Certainly a majority of the firms appear to be perceived by their owners not as means for achieving substantial wealth or security, but as means for preserving a minimal income level for themselves and their families. It is true that we found, during the end of project evaluation, several entrepreneurs who seemed to be relatively well off; and in two cases individuals who had not needed to spend a large portion of the financial assistance the NCKK had provided. However, these were exceptions and were certainly poor, or small enough, to at least have qualified for technical assistance.

Quality of Life: What do we know about the impact of NCKK assistance on the overall quality of life among borrowers--and others? What we do know comes mainly from the social workers, and the regular monitoring efforts they made along with the small business promoters, as well as from the social impact evaluation conducted by and for the NCKK about six months before the completion of the project. The information and data here are generally quite positive, if not easily documented and lacking in adequate base-line information. Yet, what we heard in our discussions with clients and officials from public and private agencies other than the NCKK tended to confirm these findings. It seems that the financial assistance in particular has served to increase family well-being. Fewer of the children of the assisted entrepreneurs need to leave school because of an inability to pay school fees, and for social workers this means that one of the top two or three problems they are asked by clients to deal with is being mitigated by the NCKK program. Reports also indicate that families are eating better food, including more varieties of food and meat, and facing fewer health problems. Moreover, families seem to be coming together around the new project. Husbands are found to be supporting a wife's efforts by assisting in the business, and business families on the whole are seen by social workers as having far fewer personal and interpersonal problems.

One difficulty with these findings is that there does seem to be a trade-off between meeting of family needs and business success. Women seem particularly prone (a "Kenyan" tradition in the eyes of the SWs) to use all available funds for family as demands emerge. This tendency is more pronounced no doubt among those women who do not really see themselves as businesswomen. In any event, while a clear link between family well-being and declining sales and profits has not appeared, we must suspect some tendencies in that direction. This poses real dilemmas for the NCKK. For it clearly seeks to help the poor, those most prone to the types of family/personal emergencies which tax business resources. Yet, it can hardly justify the institutionalization and expansion of a loan program which gives only short-term benefits to individuals and their dependents--and then leaves them with little or no income generating opportunities beyond what they had before. It is an unsatisfying condition for the clients, but also for the major donors to NCKK projects. More needs to be known of this relationship, and perhaps steps taken to bring additional resources for use in meeting emergencies. Simultaneously there needs to be more effort to monitor the use of loan funds for business purposes.

Individual and Community Capacities: Little information is available to indicate what the NCKK assistance might have meant for entrepreneurs as community activists and leaders, and it would hardly be the type of information the project would seek to collect at least at first. However, D-GAP evidence suggests that the business groups have begun to take a leading role in promoting local development and equity. They are found to be involved in numerous Harambee projects and other work with the most impoverished in their communities. Indeed, many of these poor are brought into groups, and the assistance they receive is a probable source of the greater awareness and self-confidence also reported to be a consequence of group (successful group?) activity.

### Summary

In this important area for the NCKK the results are generally quite positive. Poor are being reached, and many of the most disadvantaged among the poor have benefitted. Assisted groups seem to have a marked potential for personal and community development. The number of women assisted is impressive. Women entrepreneurs are not only quite poor, but serve to transmit the returns from business operations into assistance for their own families, and thus the impact on poverty becomes generalized. This, however, raises questions about the sustainability both of their businesses--and of business lending programs which do not generate sustainable enterprises. Still, there is much to appreciate and learn from a project which does actually reach the poor, and impact on their incomes. Certainly incomes do tend to remain higher than they were at the time the project loan was granted, as we noted earlier.

#### D. Organizational Development/ Institution Building

1. What are the indications the NCKK has improved its capacity as an implementing organization?
2. What evidence is there that the NCKK has been able to contribute to the development of a network of public and private activities supportive of informal sector development on a broad scale? (Contributions to networking.)
3. What have been the main strengths and weaknesses of the organization's efforts to develop group businesses?
4. How do the various institution building activities impact on each other, and on the sustainability of the project?

### Data and Analysis

When we speak of institution building in a case such as this one, we have in mind the creation of project management capacities (for this, and other of the implementing organization's development projects). We also refer to the degree to which project activities have generated a network of groups and agencies which are likely to assist future business development along lines established by the project, or at least not to interfere with such developments. In speaking of the latter groups we mean to encompass those collective enterprises which the NCKK supports, and also the public and private bodies interested in business development and national development. Finally, we need to deal with the "sum" of all institutional impacts, to decide how much the project is affecting or can affect the development of pluralistic, competitive communities with increased capacities to deal with human needs. For the NCKK all these are critical concerns, though not clearly seen or attainable in the short run. We look closely at these outcomes, therefore, with understanding of the complexity of the tasks involved. We also look because it is often the case that more "institution building" was actually done, and/or more easy opportunities to bolster the institutional base of development activity were missed, than is clearly evident.

To get at all these questions of capacity, networking and sustainability we focus on the NCKK/SBS per se, and we ask three questions about this organization and its project management which will yield information about the NCKK and the relationship it, and its beneficiaries, have with relevant "others" in the public and private sectors. First we look at institutional autonomy, mainly seeking to determine the extent to which the NCKK's own development strategy and implementation tactics are the base on which project decisions rest. Have these procedures become relatively immune to special pleading by outsiders, and by top leadership within the NCKK?

We then look at the question of coherence. Is there agreement among those who share responsibility for defining, redefining and implementing the project concerning goals and tactics? Finally, are mechanisms in place to see that the NCKK decision makers have the information about environmental factors and change which would allow them to modify their efforts in the face of new demands, or high costs? Are efforts made to increase the capabilities of NCKK staff so that they become better at adapting their own efforts to changing conditions, and so that their commitment to the organization grows? Adaptability can also be measured by past activities: has the NCKK/SBS changed over the past three and a half years to meet new demands and opportunities?

Autonomy: For organizations and projects such as those the SBS promotes, problems with special interests are common. Money is available--important for itself or as a means for developing or cementing patronage relationships. Political officials especially might be interested in NCKK for the patronage possibilities; for, as already mentioned, in a one-party democratic state such as Kenya, questions of policy are likely to be less central for the political figure than opportunities to create a large body of clients. New projects are especially susceptible in such cases, since procedures are just being worked out, staff is new and channels for inquiry to central offices not well developed. Top officials may be at fault here, even if motivated by good intent. They may seek to get help to those they know are particularly in need even if just established procedures get short-circuited. Moreover, when staff do wish to subvert procedures for their own ends, the early stages of project activity offer fine opportunities--in particular when the sponsoring body has not had much experience with similar types of programs. In a society such as Kenya's, ethnicity can also become a factor weighing on decisions. The question of autonomy then is important and is focused on whether SBS assistance efforts grew out of the organization's goals and strategy, or whether

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\*A few staff members did indicate having suspicions early in the life of the project that some loan decisions were taken "on high" and in behalf of acquaintances and that there was no room for the staff to challenge this. The actions seemed to represent efforts to assist poor people known to friends and colleagues more than to divert resources to those with ample resources. In addition, a substantial majority of SBS staff mentioned none of this. Moreover, all seemed to agree that currently the operating procedures are difficult to subvert, especially since the establishing of the national and regional advisory bodies--even though these bodies may sometimes have been too willing to follow the advice of staff.

they were on occasion products of short-term concerns, perhaps introduced from the outside by influential individuals or groups.

The SBS of the NCKK seems over the three year period to have achieved considerable autonomy. The record from Development GAP and other reviews suggests that there is no ethnic bias in assistance patterns, and that approved procedures are followed in decisions on assistance and loans.\* The base of this autonomy is partly personal. It seems to reflect the determination of top SBS leadership, including the UCIP Director, Ms. Kogo, and the Development GAP staff, to assure that personnel decisions and basic assistance activities were undertaken with central regard for the overall project goals. It is personal also in the sense that staff seem proud of what they are doing and challenged by the future. They are not so likely, therefore, to see this process subverted.

These procedures have deeper roots, however, in the very decentralized nature of the project. All loan approvals require that SW and SBPs separately decide that the loan is necessary. SBPs report occasions when they felt SW had pushed for certain clients they found marginal in terms of business potential, but whom the SW had come to know and help over a long period of time. However, the reverse was also true as the SW often warned SBPs about the doubtful reliability of old clients now applying for loans. On the whole, while consulting procedures are time consuming, they did not seem to reduce the capacity of staff to generate business, and they did seem to provide useful buffers. The National Task Force Committee, as an organization of influentials from the public and private sectors, also served to reduce the prospect for special interest funding. The same can be said about the regional task force committees. These latter could become special interest lobbies more easily if a powerful local official or businessman were to take charge of the group. But this also seems unlikely since local staff are involved on the advisory bodies, and NCKK/Nairobi keeps watch on their activities and recommendations. Moreover, church representation on the various committees is an additional force for autonomy--with the possible exception of a tendency to favor Christians, though there is no strong evidence that this has happened. Generally, SBPs report that church groups are less likely to be influenced by political considerations. On the whole, therefore, and to its credit, the NCKK has generated a good, wide base of public and private colleagues or allies--individual and organizational.

Despite the favorable conclusions concerning this aspect of institution building one additional comment is in order. There will continue to be particularistic pressures, and one staff member reported a contact by a member of parliament seeking assistance for constituents even while we were conducting the evaluation. Even complex and tested lending procedures will not stand for much if top leadership does not continue as in the past to insist on autonomy and the pursuit of organizational goals. Therefore, while the organization is to be commended, it must also be reminded of the importance of supporting project norms even in the face of special pleading. This may be especially important in such places as Nakuru. This is an area of recent immigration, since it was once the center of British settlement. Consequently, group formation has been somewhat stunted by the lack of common

identifications among people, and this has made efforts to organize groups for political purposes more common. Therefore, SBPs here have to take special care not to work with groups formed at least partly to advance the candidacy or serve as channels of information and influence for particular politicians or ethnic groups.

Coherence: What evidence do we have that NCKK staff at the center and in the field understand the goals of the effort in the same way--and are agreed on priorities? Where such understanding and complexity exists, an organization should operate in a more effective manner and be more efficient in its use of resources. However, coherence can be overdone and result in the stifling of initiative. What is needed is common knowledge and a basic agreement on goals, yet room for independent action which can itself increase commitment to common concerns.

Interviews with the NCKK staff revealed a common understanding of the basics of the SBS and of alternatives available for the future. To a great extent, this common knowledge is a consequence of the efforts of the consultants from Development GAP. Substantially due to the MIS system they installed, a general understanding of common inputs, targets, and expectations exists, even where regional staff have acted differently in light of the standards. Moreover, the reports of the D-GAP have helped to publicize staff concerns and requests and also served to make them aware of common interests and problems.

The work of the new Small Business Coordinator seems likely to contribute further to this effort. While he traveled with the evaluation team, we noticed how interested he was in creating a common awareness of alternatives and prospects. He hopes to visit regional sites often and this promises to aid in the maintenance of a coherent approach. Our one concern, and it is a minor one, is that he might ask for too much coherence and try to encourage it through substantially increased reporting to Nairobi and a general increase in paper work.

Coherence also implies considerable agreement on project goals and tactics. Knowledge alone will not serve project coherence if there is no sense that goals and tactics are legitimate. Discussions with project staff members suggested that there is this basic agreement. Most feel positive about accomplishments and purposes. They feel they are in a job with meaning and potential, both for the beneficiaries and themselves. There is, on the other hand, some potential for disagreement on group development; for some social workers see the more business oriented promoters insufficiently sensitive to the time and energy needed to develop workable group projects. They feel there is also insufficient appreciation of what group businesses can mean, not only in reaching poor people, but in reducing costs of loans and technical assistance. Consequently, it does appear that the NCKK could benefit from additional work through training and dialogue to set clearer priorities and speak about the amount of time and kinds of incentives needed to promote group businesses.

Ultimately, coherence depends to a considerable degree on the leadership within the UCIP and SBS. Because of the discontinuity in the leadership of the SBS over the years, it has been the UCIP which has given some coherence. However, the SBS Coordinator is in a position to do much more. That is why we again note that the institutionalization of the SBS is impressive, but depends in substantial measure on the continuity in the office of SBC. We admired the work Mr. Chege is doing and our evidence and opinion is that he would make a positive contribution to NCKK efforts in the future. However, we do not wish to become advocates for particular individuals. Instead, we wish to stress that the attainments of the SBS in terms of autonomy and coherence require continuity.

Adaptability: What resources does the project have for adapting to failures and opportunities? How has this capacity developed, and been displayed, over time? Has the project moved toward focusing action where it has a comparative advantage and allowing other public and private agencies to complement its work--and reduce its costs? Questions about adaptation in an institutional sense relate to the future scope and nature of business assistance efforts and overall project sustainability.

To a degree, adaptability is a function of the capacity to listen to those most affected by the project activities--beneficiaries and others in their communities. The capacity depends partly on the number and capability of "listening posts" available to an organization. In this respect, NCKK leadership and project managers are well served; for they do have good personal and organizational links to sources of information. These include the national and regional advisory bodies which provide feedback on project activity and serve to represent the NCKK to others. They also include the management information system, despite the latter's relatively modest shortcomings. When staff and outside observers of the project do speak of possible improvements in these structural linkages, they focus on two difficulties. They express the belief that more effective efforts could be made to associate top government officials in supportive roles and the opinion that greater effort could be made to coordinate activities with other organizations working on related problems in the various regions where the NCKK is active. Our limited investigations suggest that the latter concern is better placed and that the NCKK has a good deal to offer and gain through more regular collaboration in group development and business extension activities with various church and government bodies involved in income generation and small business projects. Even where there has been some associated effort, it has not evidently been on a regular, or well planned, basis.

Adaptability also depends in part on the flexibility of NCKK staff members and leaders. Our contacts suggest that on this score, the organization does quite well. There is evidently a commitment to learning and indeed to experimentation. The extensive decentralization of project activity has increased this commitment, by energizing and supporting innovation. Interests voiced by regional staff in additional business training were usually directed at the possibilities for improving their operations in light of constraints and opportunities they had seen locally.

In behavioral terms, adaptability has been evident in a number of steps taken by the NCKK to meet changing requirements. These include an increase in the size of loans which regional committees could approve and increased efforts on the part of some regional bodies to involve themselves more directly in the process of assessing staff work on potential clients and in the follow-up on borrowers. This also included currently ready plans for improving the processes of financial management in Nairobi so as to reduce the waiting time on loans and the gap between the time when expenses are incurred and reimbursements provided. At a more informal level, we also noted the extent to which field staff in Kisumu, and to a lesser extent in Mombasa, have become involved in collaborations with other organizations working on group development and enterprise promotion; with results in some cases already suggesting interesting alternatives for dividing future efforts on the basis of the special capabilities of similar agencies. These behaviors suggest again the extent of the adaptability of the NCKK and the significance of the sources of information on which it can draw and has drawn.

#### Summary

We have significant evidence that the NCKK's small business project has become well institutionalized, despite the suggestions for change and improvement. We see indications of effective networking with a number of public and private agencies (and individuals) whose support seems to provide information and buffering. To a degree because of this, but also because the organization has an experienced and committed staff, the NCKK/SBS has developed considerable autonomy. The NCKK is not able to produce its own resources, but neither are most social service agencies and projects. But the organization is capable of operating in the light of its own development commitments and plans and of becoming well established as an agency with that capability. The NCKK could perhaps reach out more than it has to fellow social service agencies, and thereby multiply its impact in significant ways. If it is to extend itself into more rural development activity, it will have to do this. But there should be no reason why the NCKK cannot enter into such arrangements as at least a co-equal partner, with a great deal to offer, and without major threats to its own purposes and chosen beneficiaries.

#### Project Benefits and Costs: A Summary Overview

One of the purposes of this mode of evaluation is to provide a wider, more systemic, view of the impacts of a project. This perspective seeks to indicate the social and economic changes prompted by project inputs and management; that is, to delineate the changes which have occurred and to attempt to separate project impacts from those produced by other forces. These data are also to be conditioned by references to the approach to development characteristic of the project and its implementors and the various opportunities and obstacles posed by the environment. The social, economic, and institutional impacts are, therefore, to be weighed and conditioned by at least two additional factors. However, once the context is established, it is both appropriate and necessary to utilize financial cost data so as to establish the ratio of system returns to expenditures. This type of benefit/cost

analysis does minimal violence to the facts of a project and yet does allow project managers and evaluators to look at the return on outlays.

We have argued elsewhere in this report that where business projects do not specify which of the categories of impact should be emphasized, that a default option should apply: with all categories of impact being treated the same in term of weights. As the methodology is tested and refined, additional criteria can and should be added, such as the weighing of interaction effects, since system outcomes and overall project integration with the existing social system is of ultimate interest to those drawing on this type of evaluative approach. But in this case, we seek to alter the default limits only to the extent of suggesting that the NCKK strategy would appear to call for greatest attention to social and business level impacts, secondarily to institutional changes, and lastly to economic spread impacts. It is more difficult to determine the effects of context, since we are dealing with one nation, but we can at least offer reminders of the problems associated with reaching the poor in a short time while gearing up staff for a new operation.

Having set these conditions and suggested how they apply in this case, what more can we really say? We know that total project expenses were approximately \$425,000, and we have a sense from this review of what that money purchased. However, until we have generated a number of systems evaluations for comparable projects--and such evaluations are promised from various sources--it is difficult to offer clear conclusions about benefits and costs of the NCKK project. Even so we have accomplished a good deal with this data and analysis. We have provided suggestions pertinent in benefit/cost terms, suggestions for reducing project costs, and for multiplying the impact of fixed expenditures through collaborative efforts with other agencies. More importantly, we feel, is the fact that this systems approach\* provides a means for challenging more traditional evaluation methodologies; those for instance, which base assessments largely on "unit costs"--focusing on costs per loan expected, or per unit of sales and profit, or per job created; or those which attempt to weigh results so as to credit social impacts, yet which shy away from speaking of dynamic factors at work to change ratios visible at one point in time or to improve spread effects, equity and sustainability. As ambiguous and wide ranging as these conclusions about the SBS project are, we feel they still give the reader more appropriate information than evaluations typically do. Yet, better, more specific and quantitative work is needed from practitioners of systems evaluation, so as to reduce levels of ambiguity and make this methodology more credible to all readers, and to set forth modes for additional comparative work. Development projects with the types of data collection capacities which the NCKK has developed and is developing should promote an increased capacity for including quantitative data in institutional and social analysis. There will always be room for qualitative and speculative information in project evaluations, but it can be made even more useful through its relationship to more specific, quantitative indicators of social, institutional and economic change.

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\* The approach is described in the introduction to part III, pp. 20-22.

## IV. LESSONS LEARNED

1. It is possible to deliver valuable technical assistance and credit to very poor urban micro-sector entrepreneurs.
2. This assistance can be effectively delivered by teams of social workers and business promoters despite their differences in training and experience.
3. Financial and technical assistance tends to provide real benefits in terms of knowledge, investment and disposable income. However, new skills tend to be used less with the passage of time, and changes in family consumption patterns tend to reduce the long-term significance of loans. Family and business income tend to decline over time.
4. Securing regular repayment from informal sector entrepreneurs poses special, and difficult, problems. Careful selection and better follow-up are only part of the answer. What is required is a full-scale, coordinated effort supported by NCKK/Nairobi.
5. For very poor, but otherwise eligible clients, more effort needs to be made to provide buffers against short-term emergencies otherwise likely to undermine business operations. Even if this could be done with an emergency grant fund (perhaps administratively separate from the SBS) it would pose difficulties. Still, NCKK's clients are especially vulnerable and some form of emergency aid may prevent otherwise highly motivated and capable individuals from tapping business funds for family emergencies. More stringent standards might then be used for evaluating the business activity and repayment practice of these individuals.
6. The decentralization of responsibility to the social worker/promoter teams seems to produce initiative and commitment. However, local team morale and effectiveness depends on the receipt from the central administration of sufficient information on program goals, and timely support as well.
7. In such a decentralized program, both regional and national staff require regular training opportunities in order to come to understand the broader developmental significance of what they are doing. (The NCKK model, by focusing on the integration of social and economic change sets the basic agenda for a holistic approach to development. Training could strengthen activity in support of this approach, as could exchange programs within and without Kenya.)
8. Among the circumstances enabling an organization such as the NCKK to grow as an implementing agency for small enterprise projects are:
  - a. the fact that top leadership (UCIP Director, current SBC at least) were committed to programmatic goals and willing to defend them;

b. the fact that a PVO such as D-GAP with experience in the urban informal sector and committed to NCCK goals was able to provide reliable and timely information on project developments; and that it was occasionally able to assist in explaining project goals and needs to donors and other NCCK officials.

9. Group development is much more complex and costly than was envisioned. Even organizations such as the NCCK, with considerable experience and many contacts face problems in starting and sustaining business groups. Poor people are not easy to organize; and when you also seek to assist members to become successful entrepreneurs, there are additional problems which must be handled. Knowledge and incentives, including security, must be provided over extended periods.

10. Group formation is much more complex and costly than was envisioned, even by an organization with long experience in the field. Group enterprise activities are particularly difficult to start and sustain.

## V. RECOMMENDATIONS\*

1. The NCKK needs to continue with current efforts to clarify and rationalize administrative responsibility and structure.
  - a. The current Small Business Coordinator must be given the responsibilities and assurances which should increase the probabilities he will stay on the job indefinitely. (Staff continuity in general should be an organizational priority.)
  - b. The planned separation of the UCIP and the SBS should progress at least to the degree that the SBS has its own independent accountant and staff of social workers.
  - c. Planned efforts by the incumbent SBC to increase his field contacts and communication should be encouraged. However, he should consider carefully his tentative plans for increasing the range and amount of field staff reporting. Improvements in reporting are needed (see below), but adding to the number of reports provided regularly by the already busy SBPs and SWs may not improve information or staff performance. It may overly focus this work on activities which "fit the forms" and can be easily reported.
2. The SBP's innovative management information system should be simplified through efforts to focus on economic and social data which can be reliably collected from NCKK's clients and other data sources. This will reduce time pressures faced by promoters and social workers.
3. Special efforts need to be made to improve the rate of repayment of SBP loans.
  - a. This may well require the appointment of a collections clerk with primary responsibility for follow-up on loans and collections. Though it could prove costly to have a person mainly to provide this service, added returns may be significant. In addition, some SBPs like the idea of having responsibility for collecting debts removed, as they feel this will improve their consultative relationships with their clients.
  - b. It is appropriate, as well, to seek more involvement by regional advisory body members with clients. These individuals are often persons of influence in the area, and to have them associated with the process of signing for the loan, and in follow-up should add to the incentive for repayment. If and when legal action needs to be taken, it would be appropriate to have the advisory body involved in ways needed to reduce the need for a social service agency such as NCKK to be seen as an "enforcer".

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\*Most of these recommendations reflect an assumption that the NCKK will continue to receive external funding for its SB program.

c. It would be useful to institutionalize the practice begun in Nakuru of having borrowers provide three guarantors prior to the approval of loans. Guarantors are not adequate for most loan officers, in the absence of other evidence of a capacity to repay, but they would at least provide some additional evidence for the SBPs of the standing of applicants in the community--and some leads if and when it is necessary to follow-up on those behind in repayments.

d. The lending process should also be further decentralized. A certain portion of available funds (or of those collected locally) might be banked in the various project sites. It could be used then for specified activities, such as second loans or even new loans, up to a set limit. This could provide some incentives for more aggressive loan collections, and opportunities for increasing the sense of involvement of local advisory bodies in the project. It should also promote flexibility and responsiveness to local conditions. Documentation on the money collected and its use would still be provided to the national office as is currently the practice.

e. Second loans are being granted on occasion, and should be effective in encouraging repayment. There is some evidence this has worked and experiments with second loans should continue.\* However, care needs to be exercised in the granting of such loans because they tend to go to relatively larger businesses.

f. Finally, SBPs and SWs should pay closer attention to client selection. Though the issue of selection will always be clouded by the NCK's philosophy and goals, SBPs and SWs must develop better business criteria for loans and treat social purposes as much as possible as separate ones. Social goals may continue to be as important, or more important, but grants or other support independent of SBS loan funds should be sought to take care of personal or family needs likely to impinge sharply on business activity. SBS loans should be identified clearly as business loans and follow-up efforts made to assure such use occurs.

4. Staff development activities should be increased and somewhat broadened in terms of overall purposes.

a. The numbers of staff training workshops/seminars on topics related to business promotion (especially in rural areas) should be increased, providing opportunities for staff to learn about business

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\*See Jeffrey Ashe, Local Efforts in Micro-Enterprise Development: The PISCES Experience. Washington, D.C.: Agency for International Development, April, 1985. Also M. Otero and J. Blayney, Evaluation of the Dominican Development Foundation's Program for the Development of Micro-Enterprises (PRODEME), Washington: Agency for International Development, November, 1984.

and exchange ideas with each other. When possible, joint programs with extension agents from other nations should be held both to facilitate the sharing of information and to enhance the status of program activities. (Desired by SBPs.)

b. Training and workshop programs should also involve the regional advisory board members, perhaps through shorter (one-day) workshops. It would be appropriate to have these workshops in Nairobi or some central location so that board members serve without pay, with some personal opportunities for travel, contacts, intellectual stimulation, etc.

c. Programs for staff and advisors should provide information on business development and maintenance, but also on the problems of promoting rural enterprises. In many ways, rural enterprise development highlights most of the needs which were surfaced in NCK's urban sector work: The need to provide a socially supportive nexus for poor entrepreneurs; a need for understanding existing and potential markets; the need to think of regional economic integration; and the need to maintain administrative coordination and control. Current information in the efficacy of differing techniques for selecting potential clients and entrepreneurs would also be helpful.

5. Where group development is or becomes a primary emphasis of the NCK small business program, it should be undertaken and sustained with care and perseverance. This signifies efforts to understand and account for variation among groups; efforts to see that group activities promote incentives to group members; and attempts to develop a more extensive base of information on group operations over time, for use in project planning as well as research. Every effort needs to be made to monitor the incentives provided to individual group members.

a. Group variation and appropriate strategies: Some groups will be comprised of individuals working together mainly because it serves their material interests and for whom in large measure membership is a function of returns provided by their own actions. The grain merchant's group in Kisumu is of this type, and was formed mainly because government licenses for purchasing grain are given mainly to groups.

(i) Other groups may be formed to provide social goals, and/or to institute collective means for considering basic problems and solutions--including income generating activities. Incentives in the short-term for each member may be less important than the chance to meet and talk; but in the longer term, these groups usually thrive most when means emerge for providing returns which can be disaggregated and awarded in proportion to the member's commitment and effort.

(ii) "Task" and "social" purposes may, of course, be present in all groups--and may exist in varying degrees among the priorities of each member. However, such things as the educational level of the group, the proximity of members to each other, and the group's stated goals, may provide means for understanding what types of returns are needed to promote group cohesion and goal seeking.

b. Incentives and the Prospects for Individual Development within Groups. Students of mass movements offer numerous insights into group development, even where the purposes of groups are more limited, as in these cases. They find that the following factors and the sequences of activity to be important.

(i) Groups serving the poor need first to be sensitive to what might be called "security" needs. Where governments and economic elites are not actually hostile to group development (as in these cases), there are questions of security related to the borrowing of money and the threat of short-term personal crises. Groups which generate self-reliance in the longer term may well need to pay attention to security needs in the short-term.

(ii) Successful group projects with poor participants also tend to create a "freedom to act" and rewards which make this freedom meaningful. These can be group rewards, as in the case where productive activities result in the construction of a building for meetings and business activity. But successful efforts to mobilize the poor also feature individualized benefits usually clearly tied to group activity and performance.

6. The NCKK and Small Business Scheme managers should treat with more seriousness their current, informal efforts at coordination (or "networking") with other organizations and individuals involved with similar types of development projects.

a. Sharing of training efforts, credit investigations and follow-up, and also group development activities with existing government, business and church organizations in all sites appears possible. The NCKK has good working relations with these organizations, having been involved in several cases with their founding or early development. NCKK staff are well known and respected by officials of these agencies.

(i) Advantages which would accrue could include learning and the spread of the NCKK's influence and economic impact. Sharing of burdens might make it possible to provide the supplementary resources needed for the most marginal of operations, so that equity needs could be in some ways separated from business loans and decisions.

(ii) Advantages from this sharing could also include reduced operating costs. As the NCKK program is extended more into rural areas, and group development requirements increase, this can be of special significance.

b. The NCKK would have much to offer other organizations in establishing a support network. In addition to its expertise in training and credit activities, it has a well tested MIS system, which should be quite effective if field workers have training and the incentive to utilize it carefully. With it, the NCKK could become a major repository of information on small business and markets; and could provide assessments of the strengths and weaknesses of various approaches to small enterprise development.

APPENDIX  
EVALUATION METHODOLOGY

The NCK's Small Business Scheme has been studied and evaluated at length. As a consequence, the evaluation team found a large number of written works dealing with the planning and early operation of the project, and comparisons of the SBS with similar business promotion programs. The team also had access to a substantial number of individuals both in the United States and Kenya who had spent time talking with project officials and beneficiaries, and in monitoring the activity of the SBS over time. In addition, a carefully crafted monitoring system was in place, and a series of reports drawing on this data had been produced on the problems and impacts of the project in its several locales over time. Finally, a social impact analysis was undertaken about six months before the final project evaluation was to occur.\*

Consequently, preparation for the evaluation involved reviews of several detailed studies, and decisions about what gaps remained to be filled. Our considerations focused on several areas:

1. On the need to collect the most recent data compiled as part of the MIS system at the various project sites, and thereby to up-date the analyses provided by the Development GAP monitoring effort.
2. On the possibility of collecting more detailed information on the financial status and business performance of a small sample of NCK creditor-entrepreneurs as a means of securing independent verification of business status and potential.
3. On which of the knowledgeable "internal" and "external" observers of the NCK effort we should attempt to contact.

These considerations, coupled with the limits of time and the size of the evaluation team, led to the following conclusions:

1. We should visit three project sites, stretching from Mombasa in the east to Kismu in the west. This would allow us to interview the three current small business promoters and secure data collected as part of the MIS system for all sites, since the promoters would have information even on the sites we could not visit.

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\* Major works which were reviewed:

- (1) Development GAP, Mid-term Evaluation Reports. (1982-4) (Four reports, mainly by Doug Hellinger and Fred O' Regan. With Stephen Hellinger)
- (2) D. Hellinger, et. al. CASE STUDY of Small Business Scheme of The NCK. D-GAP, August, 1984.
- (3) Jane Kirui And Kadzo Kogo, Report of The Evaluation of The Social Impact of The Small Scale Business Enterprises Project. NCK, 1984.

2. We needed to interview 5-7 individual entrepreneurs in each site, and to talk with members of at least one assisted group, in those communities where group loans had been made. Those interviewed were to be selected so as to secure a distribution of respondents by sex, years of business experience, and type of firm.

3. In addition to those responsible for the project (NCKK staff, AID and D-GAP managers/monitors), we sought to interview a number of individuals who had the knowledge and "position" to observe the SBS and provide an informed assessment of performance and/or of the needs and opportunities from working with the SE sector. In the latter category we included local businessmen and business association officials, representatives from other voluntary agencies with similar interests and pursuits, as well as government officials in a number of social service and business promotion positions.

Our two member evaluation team shared the data collection and interviewing activities for the ten days set aside for that portion of the evaluation. Steve Mirero did most of the interviewing with loan recipients and Bob Hunt concentrated more on the work with the business community and government. Both, however, did some interviews in the other's area of "concentration", and shared particularly the group interviews and discussions with NCKK field and central office staff. The same basis for collaboration was carried through the week-long analysis phase of the work in Kenya. During this time, with the help of NCKK staff, especially Mr. M. M. Chege and Ms. Kadzo Kogo, we finished collecting essential background information on the NCKK and the SBS project.

Because of the base from which we were able to work, and the excellent collaboration of the NCKK staff, we were largely able to collect and analyze most of the data we sought. There were problems, partly growing out of the inevitable scheduling conflicts that emerge under serious time pressures. There were also some data gaps, resulting to a substantial degree from the difficulties inherent in working with small scale entrepreneurs who are unaccustomed to keeping records (and sharing business information with outsiders). We therefore found some of the same difficulties which NCKK staff had found collecting similar data over the past three years. Despite these difficulties, we feel that we were in the large part able to finish what we set out to do, and in fairly good order. Problems the reader may have with the report are probably not, in the main, rooted in weaknesses in data collection, or even in the basic summary of findings we provide.

List of those interviewed by the evaluation team

(A) Individual/Group Beneficiaries.

- |                         |         |
|-------------------------|---------|
| 1. Maweni Women Group   | Mombasa |
| 2. Mr. Bakari R. Ngundo | "       |
| 3. Miss Saida Mwinyi    | "       |

- |                              |        |
|------------------------------|--------|
| 4. Mrs. D. Karase            | "      |
| 5. Mr. Ali Chanuo Mwandola   | "      |
| 6. Mrs. Grace Muthoni Kamau  | "      |
| 7. Mr. Alice Mbone           | Nakuru |
| 8. Mr. Bernard Kigotho       | "      |
| 9. Mr. John Nderitu          | "      |
| 10. Mr. Francis Maina Kimani | "      |
| 11. Mr. Peter Oduor          | "      |
| 12. Mr. Wambui Nguino        | "      |
| 13. Mrs. Florence Njeri      | "      |
| 14. Mrs. Florence Abwaka     | Kisumu |
| 15. Mrs. Loice Kungu         | "      |
| 16. Mrs. Edna Kisundi        | "      |
| 17. Mrs. Ruth Makungo Leban  | "      |
| 18. Mr. Hezekiah O. Jarambah | "      |

The Orongo Group in Kisumu was also visited and general discussions held with members.

(B) Public and Private Officials

1. Ms. P.D. Agesa, Deputy Director, Social Services, Program Office of Social Service, Kisumu
2. Rev. Johanes Angel, Dept. of Theological Education, Diocese of Maseno South
3. Mr. Gordon Bertolin, U.S. AID
4. Mr. M. M. Chege, Small Business Coordinator, NCCK
5. Mr. Edward Greeley, USAID
6. Mr. John Kamau, General Secretary, NCCK

7. Mr. G. M. Kamau, Small Business Promoter, Nakuru/Eldoret
8. Mr. Geoffrey Kaduru, Partnership for productivity
9. Mr. Benson Kazunga, SBP, Mombasa
10. Mr. Francis Kihiko, Safari Park Hotel (Former Sm. Bus. Coordinator)
11. Mr. J. N. Kinyanjui, Businessmen and Representative on National Task Force Committee, NCCK.
12. Mr. C.P. Kisochi, Branch Executive Officer, Mombasa Chamber of Commerce
13. Ms. Kadzo Kogo, Director, UCIP of the NCCK.
14. Mr. D. D. Mardano, Treasurer, Kenya Assn. on Commerce and Industry, Kisumu
15. Mr. D. J. Mwasaga, Ministry of Commerce and Industry (National Task Force Committee, NCCK)
16. Mr. Joseph Njiru, Kenya Industrial Estates (National Task Force Committee, NCCK)
17. Mr. J. M. Njoya, Mombasa Chamber of Commerce and Industry
18. Mr. Shem Obondi, District Trade Officer, Nakuru
19. Mr. Jacob Ombara, Credit Officer, Kenya Commercial Bank, Kisumu (Chairman, Regional Task Force Committee)
20. Bishop Henry Okullu, Diocese of Maseno South.
21. Mr. James Onsomu, Small Business promoter, Kisumu
22. Mr. Doug Osmond, Advisor, Tototo Home Industries, Mombasa
23. Ms. Nejece Otongla, Social Worker, NCCK, Kisumu
24. Ms. Ann Sankai, Social Worker, NCCK Mombasa
25. Ms. Kit Ringrose, Advisor, SBS, Nairobi [NCCK]
26. Mr. Peter Wahome, Social Worker, NCCK Nairobi
27. Mr. Herman Watene, Director of Housing and Social Services, Nakuru.