

A.I.D. EVALUATION

PRIVATE SECTOR MGT. DEVELOPMENT PROJECT -
OUTREACH COMPONENT

497-0345

USAID/JAKARTA

A.I.D. EVALUATION SUMMARY PART I

(BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS)

PDAAT-783

<p>A. REPORTING A.I.D. OFFICE (Mission or AID/W Office) EED, USAID/JAKARTA (ES #)</p>	<p>B. WAS EVALUATION SCHEDULED IN CURRENT FY ANNUAL EVALUATION PLAN? yes <input checked="" type="checkbox"/> slipped <input type="checkbox"/> ad hoc <input type="checkbox"/></p>	<p>C. EVALUATION TYPE interim <input checked="" type="checkbox"/> final <input type="checkbox"/> ex post <input type="checkbox"/> other <input type="checkbox"/></p>												
<p>D. ACTIVITY OR ACTIVITIES EVALUATED (List the following information for project(s) or program (s) evaluated; if not applicable, list title and date of the evaluation report.)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;">Project #</th> <th style="width: 50%;">Project/Program Title (or title & date of evaluation report)</th> <th style="width: 10%;">First PRAG or equivalent (FY)</th> <th style="width: 10%;">Most recent PRAG (mo/yr)</th> <th style="width: 10%;">Planned ADP Cost ('000)</th> <th style="width: 10%;">Amount Obligated to Date ('000)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">497-0345</td> <td>Private Sector Mgt. Development Project-Outreach Component</td> <td style="text-align: center;">84</td> <td style="text-align: center;">5/90</td> <td style="text-align: center;">\$4mil</td> <td style="text-align: center;">\$4mil</td> </tr> </tbody> </table>			Project #	Project/Program Title (or title & date of evaluation report)	First PRAG or equivalent (FY)	Most recent PRAG (mo/yr)	Planned ADP Cost ('000)	Amount Obligated to Date ('000)	497-0345	Private Sector Mgt. Development Project-Outreach Component	84	5/90	\$4mil	\$4mil
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<p>E. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR</p> <p style="text-align: center;">Action(s) Required</p> <ol style="list-style-type: none"> 1. IPPM and AID to review and IPPM to redesign as necessary the small business outreach component of the Project. 2. IPPM and AID to reallocate funds appropriately 	<p style="text-align: center;">Name of officer responsible for Action</p> <p>G.WEST, EED PEKERTI, IPPM "</p>	<p style="text-align: center;">Date Action to be Completed</p> <p style="text-align: center;">Sept 86 Oct 86</p>
<p>(Attachments, if necessary)</p>		

F. DATE OF MISSION OR AID/W OFFICE REVIEW OF EVALUATION mo 6 day 10 year 86

G. APPROVALS OF EVALUATION SUMMARY AND ACTION DECISIONS:

<p>Signature Typed Name Date</p>	<p>Project/Program Officer Gordon West 6/10/86</p>	<p>Representative of Borrower/Grantee B. Suwartoyo</p>	<p>Evaluation Officer Tim Mahoney</p>	<p>Mission or AID/W Office Director Jon Sperling</p>
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To help overcome many of the constraints faced by Indonesia's small business sector and to meet USAID/Indonesia's policy objective of strengthening the private sector's role in the Indonesian economy, USAID's Private Sector Management Development Project, No. 497-0345, is supporting the IPPM/PPK Program. IPPM (the Institute for Management Education) is a non-governmental agency for private sector business management training and PPK (IPPM's Small Business Management Department) provides business management training and technical assistance to the non-formal business sector. In 1983, AID began providing institutional grant support to IPPM, part of which was to help meet the objectives of the PPK Program: to improve the financial stability and management capability of regional non-government organizations (NGOs) and to teach the NGOs how to instruct rural small businesses in the basic elements of business management. Grant assistance took the form of upgrading IPPM's institutional capabilities and an outreach program to (1) promote the institutional development of private management institutes, (2) expand IPPM's expertise in small business consulting, and (3) enable IPPM to support NGO and private voluntary organization efforts to gain experience and skills in small business development activities.

The purpose of the consultant's evaluation was to recommend revisions to the outreach program design to make it more effective and realistic in terms of NGO development and using NGO staff for small business management training, and to advise IPPM on staffing needs, costs, and the best approach to start up the outreach program.

The main findings were that the program does not yet have long-term strategic planning and cannot support itself as a cost center (the program has operated at a loss since its inception). Also, the curriculum may not be fully responsive to the program's changing clientele, staff are relatively inexperienced and no process exists for replacing staff when attrition occurs. The outreach program was found to lack market analyses, criteria on which to base program decisions, and plans to guide the program's relationships with clients. Last, the program in encountering problems in its interpretation of what grant activities are appropriate, particularly in attempting to target clients.

In addition to longer-term recommendations, the consultant presents a four-point short-term action plan. The latter comprises: (1) initiating an ongoing market analysis capacity to provide information on mid- and long-term market demand for small business training services; (2) following the market analysis, inaugurate a strategic planning process for PPK; (3) inaugurate a program of regular dialogue with appropriate personnel from the NGO community as a prerequisite to any program planning for outreach operations; and (4) develop a proposal to AID that outlines a new PPK outreach program for small business management training.

I. EVALUATION COSTS

1. Evaluation Team

Name	Affiliation	Contract Number OR 20Y Person Days	Contract Cost OR 20Y Cost (US\$)	Source of Funds
Russell H. Betts	Development Alternatives, Inc.	36 days	\$30,000	PD&S ('86)

2. Mission/Office Professional
Staff Person-Days (estimate) 3

3. Borrower/Grantee Professional
Staff Person-Days (estimate) 15

.I.D. EVALUATION SUMMARY PART II

J. SUMMARY OF EVALUATION FINDINGS, CONCLUSIONS AND RECOMMENDATIONS (Try not to exceed the 3 pages provided) Address the following items:

- o Name of mission or office
- o Purpose of activity (ies) evaluated
- o Purpose of the Evaluation and Methodology Used
- o Findings and Conclusions
- o Recommendations
- o Lessons learned

Name of Mission

USAID/Indonesia. Provincial Small Business Management Training in Indonesia: The IPPM/PPK Program, by Russell H. Betts, March 1986.

Purpose of Activity(ies) Evaluated

Because almost half of the two million Indonesians who enter the labor force each year are unable to find employment in the formal agricultural, industrial, or commercial sectors, many create their own jobs in the informal business sector. However, most of these businesses fail, largely because they are unable to manage the financial, accounting, budgeting, or cash flow aspects of business. To help overcome many of the constraints faced by small business and to meet AID/Indonesia's policy objective of strengthening the role of the private sector in the Indonesian economy, AID is supporting IPPM (the Institute for Management Education, a non-governmental agency for private sector business management training) and PPK (IPPM's Small Business Management Department) to provide business management training and technical assistance to the non-formal small business sector.

The purpose of the PPK Program is two-fold: to improve the financial stability and management capability of regional non-government organizations (NGOs) and to teach the NGOs how to instruct rural small businesses in the basic elements of business management. In 1983, AID began providing grant support to IPPM to meet these objectives through upgrading IPPM's institutional capabilities (largely through MBA and PhD scholarships to IPPM staff) and a three-pronged outreach program. Outreach I was to promote the institutional development of private management institutes outside Jakarta (via short-term management training programs for up to three provincial management institutes). Outreach II was to expand IPPM's expertise in small business consulting to other organizations (via providing yearly training for up to ten trainees from each of six NGOs over the six-year life of the project). Outreach III was to enable IPPM to support the efforts of NGOs and private voluntary organizations (PVOs) to gain experience and skills in their provision of small business development activities (via scholarships to up to ten NGO staff members each year to attend the Jakarta sessions of a 13-week Small Business Consultant Development Course).

Purpose of the Evaluation and Methodology Used

Purpose - The purpose of the evaluation was to (1) recommend revisions to the outreach program design which will make it more effective and realistic in terms of NGO development and using NGO staff for small business management training; (2) help interview, assess and select eight regional NGOs throughout Indonesia who are best qualified and willing to participate in the outreach program; and (3) advise IPPM on staffing needs, costs, and the best approach to start up the outreach program. Based on discussions with AID staff and the evaluator, Task 2 was dropped from further consideration at this time.

Methodology - Discussions were held with a broad range of people concerned generally with the issues of small business development, management education, and the Indonesian

Date this summary prepared:

SUMMARY

NGO community, both during the four-week evaluation period and earlier periods over the past 15 years that the evaluator lived in or visited Indonesia. Several project documents, course materials, and other relevant publications were also reviewed.

Findings and Conclusions

In the four years since its inception, the PPK Program has developed to the point where much of its capacity is in place (staff are trained, a curriculum is developed, standardized procedures are in place, a coordinator is functioning, etc.). The program is basically a good one, but problem areas have arisen as the program has changed its outreach aspirations.

Program Directions - A data base on the conditions of small business in Jakarta has been compiled and the capacity exists to replicate the base in other areas. The program is also experiencing increased demand for its (donor-sponsored) services. However, largely as a result of being overly responsive to sponsor preferences at the expense of identifying its own sense of market or development priorities, the program has no long-term strategic planning, no process for establishing consensus on goals, and no procedures for assuring a logical progression in its development.

The PPK Program is also nowhere near being able to support itself as a cost center, and still requires heavy subsidies. USAID grants provide support in the short term, but do not help address the issue of long-term sustainability.

Program Content - The 13-week course modules seem good in general, especially conceptually. Specific curricular presentations were not evaluated here.

No feedback evaluation mechanism exists to benefit the development of future curricula. Also, the program concentrates on the trade and services sectors, rather than on production and marketing, which may not make it fully responsive to the business community's needs. Further, there is no indication that as the program's clientele changed from the original bank loan officers for small business and small business consultants to its current NGOs, the program also changed to meet the needs and interests of its new clientele.

Staff - While the program's staff are good, they are still relatively inexperienced. There is no process for replacing existing staff and recruiting qualified experienced staff when attrition occurs.

Finances - PPK has been losing money since its inception. Because it relies on sponsors for its support, it has concentrated on responding to donors' wishes rather than taking steps to strengthen itself financially.

Outreach Program - There is no evidence of strategic planning for this program: market analyses to determine future activity areas, criteria on which to base program decisions, and plans to guide the program's relationships with outreach clients are lacking. IPPM has not attempted to determine NGO availability, perspectives or ability (for example, most NGOs have little experience with small business management and other economic issues, and may be reluctant to accept IPPM's perspective). There has also been little attempt made to establish continuing dialogue with other interests, such as banks, who might use PPK.

Establishing Self-Sustaining Regional NGOs - In November 1985, IPPM requested that AID combine the three outreach activities and create eight regional NGOs. IPPM would then develop these NGOs' capacity to conduct the 13-week course and other unspecified small business activities. This attempt to create capabilities in new and untested provincial institutions will be labor intensive, require management and monitoring support that IPPM cannot yet provide, and will divert the PPK from activities that promise greater cost-benefit.

Universities - PPK is interested in working with provincial universities as "regional NGOs." Although there may be good reasons for this affiliation, it may not be

ATTACHMENTS (List attachments submitted with this Evaluation Summary; always attach copy of full evaluation report, even if one was submitted earlier)

ATTACHMENT I: Evaluation Report

ATTACHMENTS

COMMENTS BY MISSION, AID/W OFFICE AND BORROWER/GRANTEE

PROJECT OFFICE: Very professional job done by Mr. Russell Betts, DAI. He dealt with a very sensitive issue and successfully demonstrated to IPPM senior management the need for a major redirection of their small business assistance programs.

MISSION COMMENTS ON FULL REPORT