



A B S T R A C T

H. Evaluation Abstract (Do not exceed the space provided)

The Project aims to strengthen, diversify and expand the economic activities of small and medium size Malawian entrepreneurs, especially those involved in agribusiness, rural employment generating, import substituting or foreign exchange earning activities. READI is primarily an umbrella project providing broad support to the following implementing agencies: 1) INDEFUND, a development finance institute; 2) the Malawi Union of Savings and Credit Cooperatives (MUSCCO); 3) the Development of Malawian Traders Trust (DEMATT); and 4) the Ministry of Trade, Industry and Tourism (MTIT). Project contractors are Africare, CUNA/WOCCU, Deloitte, Haskins & Sells and several personal services contractors.

The September 1988 mid-term evaluation was conducted by a joint external contractors/host government (GOM) team on the basis of a review of project documents and interviews with project personnel. The purpose was to: 1) analyze READI's impact on strengthening intermediary institutions working in the small and medium enterprise (SME) sector; 2) to review USAID/Malawi SME development assistance to date and make recommendations for future program activities; and 3) to identify salient GOM policy issues which affect the READI Project and future USAID/Malawi initiatives in the SME sector.

The major findings and conclusions are:

- The Project has raised awareness about the importance of the SME sector, and identified policy and institutional constraints to SME development.
- The Project has helped strengthen coordination among the various institutions involved and helped start 55 new businesses and expanded 150 existing businesses.
- The evaluators recommended transferring project promotion functions to DEMATT, liberalizing the guidelines for INDEFUND on-lending of READI credit funds, and transferring sectoral coordination responsibilities to an expanded SME Unit within MTIT.

C O S T S

I. Evaluation Costs

1. Evaluation Team		Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. \$)	Source of Funds
Name	Affiliation			
Russell Webster	ARIES			
Michael Bess	ARIES			
Timothy Mooney	ARIES			
James Cotter	ARIES			
Richard Chilingulo	MTIT			
Isaac Kunje	MEDI			
Dick Maganga	DEMATT			
Victor Ndisale	GOM/MOF			
		PIO/T No. 612-0234-3-70015	\$99,760	Project-funded
2. Mission/Office Professional Staff Person-Days (Estimate) <u>          5          </u>		3. Borrower/Grantee Professional Staff Person-Days (Estimate) <u>          60          </u>		

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## A.I.D. EVALUATION SUMMARY - PART II

### SUMMARY

J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)

Address the following items:

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| <ul style="list-style-type: none"> <li>• Purpose of evaluation and methodology used</li> <li>• Purpose of activity(ies) evaluated</li> <li>• Findings and conclusions (relate to questions)</li> </ul> | <ul style="list-style-type: none"> <li>• Principal recommendations</li> <li>• Lessons learned</li> </ul> |
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Mission or Office:

USAID/Malawi

Date This Summary Prepared:

October 1989

Title And Date Of Full Evaluation Report:

An Evaluation of the Rural Enterprises and  
Agribusiness Development Institutions  
(READI) Project

1. Purpose of the activity:

The READI Project addresses three important problems: 1) low per capita income due to low smallholder agricultural productivity and limited off-farm employment opportunities; 2) insufficient technical, development planning, analytical, and management capacities in both public and private sectors; and 3) critical shortages of both foreign and domestic financial resources. The project goal is to increase the productivity and incomes of Malawi's rural population. The project purpose is to strengthen, diversify and expand the activities of small and medium size Malawian entrepreneurs, especially those involved in agribusiness, rural employment generating, import substituting or foreign exchange earning activities.

2. Purpose of the evaluation:

The evaluation purpose was to: 1) analyze READI's impact on strengthening intermediary institutions working in the SME sector; 2) to review USAID/Malawi SME development assistance to date and make recommendations for future program activities; and 3) to identify salient GOM policy issues which affect the READI Project and future USAID/Malawi program initiatives in the SME sector. The evaluation was based on a review of project documents and interviews with project personnel.

3. Findings and conclusions:

- The Project has raised awareness about the importance of the SME sector, and identified policy and institutional constraints to SME development.
- The Project has made a positive contribution towards the institutional development of INDEFUND, MUSCCO and DEMATT and has enabled these organizations to help start 55 new businesses and expand 150 existing businesses. The Project has strengthened coordination among these institutions and public sector agencies by making a study of investment potential available to potential investors and by preparing investment/financing guidelines for Malawian credit institutions on targeted areas of economic activity, e.g., smallholder cash/export crop production and potential agro-processing or agro-business ventures.

4. Principal recommendations:

- That loans provided by MUSCCO utilize local currency generated by USAID's Malawi Enterprise Development (MED) Program.
- That no additional funds be provided for credit until both INDEFUND and MUSCCO improve their capacity to monitor borrower performance and reduce delinquencies.
- That the project promotion function within the Project Coordinating Unit be transferred to DEMATT.
- That further development of management and field operations occur at MUSCCO and DEMATT.
- That the guidelines for INDEFUND on-lending of READI credit funds be liberalized.
- That the training needs of the Training of Trainers program be better defined and institutionalized.

5. Lessons learned:

- a) Regulatory procedures or policy concerns such as access to foreign exchange, letters of credit, GOM procurement procedures, on-lending rates, registration and licensing procedures greatly impact the speed at which SME development can occur.
- b) When strengthening SME institutions, attention must be given so as not to burden an institution initially with too many functions for its limited staff.
- c) Given that the Government or private sector will have to cover the recurrent costs of these organizations in the future, an institutional rationalization study must be conducted in order to determine which functions of each organization are vital to SME development.
- d) Since there is a Women in Development sub-project linked to READI, future evaluations should analyze gender disaggregated data especially in regard to number of women employed, women's enterprises and size, and female repayment rates.

## ATTACHMENTS

**K. Attachments** (List attachments submitted with this Evaluation Summary, always attach copy of full evaluation report, even if one was submitted earlier, attach studies, surveys, etc., from "on-going" evaluation, if relevant to the evaluation report.)

Copy of "Evaluation of the Malawi Rural Enterprises and Agribusiness Development Institutions (READI Project)"

## COMMENTS

**L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report**

Although the evaluators thoroughly reviewed project documents, the evaluators may not have spent sufficient time in the field to fully understand the activity, its impacts, and the problems encountered in managing the Project.

The evaluators were fairly objective and carefully analyzed project and interview data before drawing up principal conclusions and recommendations. However, several of the findings and recommendations that are cited in the report vary from the conclusions reached by USAID staff and well-informed host country officials.

The principal recommendations which the Mission concurs with are:

- 1) That loans provided by MUSCCO utilize local currency generated by USAID's MED Program

Action Taken: The May 1989 Project Grant Agreement Amendment states that MK 1.0 million from the MED Program will be used by MUSCCO to on-lend to member credit societies and ultimately their membership.

- 2) That INDEFUND and MUSCCO improve their capacity to monitor borrower performance and reduce delinquencies

Action Taken: USAID/Malawi has endorsed MUSCCO's annual audits of member societies. In order to assist MUSCCO with these audits under the May 1989 Agreement Amendment, the READI Project will continue to provide a Financial Management and Planning Advisor and will add a Credit/Investment Specialist through the World Council of Credit Unions (WOCCU).

In INDEFUND, the loan management division will increase its staff and, consequently, its capacity to monitor its loan portfolio.

- 3) That further development of management and field operations occur at MUSCCO and DEMATT. Project funds will be provided to support this development.

- 4) That the guidelines for INDEFUND on-lending of READI credit funds be liberalized.

Although USAID/Malawi agrees with this recommendation, the Mission does not foresee significant on-lending liberalization as a possibility unless INDEFUND's creditors decide to relax their present repayment schedules and until the very conservative, commercially oriented INDEFUND Board composition is changed. Only then, will the Board consider changes in on-lending policies and interest rate structures. INDEFUND's real concerns are high risk, which can be addressed more effectively by a credit guarantee scheme, and the high management costs of the Project's rural-focused lending criteria.

- 5) That the project promotion function within the Project Coordinating Unit be transferred to DEMATT.

Action Taken: Through USAID's Human Resources and Institutional Development Project, a two-year medium scale enterprise promotion advisor will be assigned to DEMATT to establish and institutionalize the project promotion function within DEMATT.

The principal recommendation which the Mission does not totally concur with is:

That the training needs of the Training of Trainers (TOT) program be better defined and institutionalized.

Reason: Mission feels that TOT program prospects are too negatively presented and that there were some inaccuracies in the evaluation report. Mission feels the TOT program is fairly well defined and is being institutionalized.

Issues which the Mission wishes the evaluation team had examined more closely include:

1. Recurrent costs: How will recurrent costs of the SME institutions be covered? What impact does this have on future GOM budgets?
2. Institutional rationalization: Do some of the activities of the various SME institutions overlap? Are there some functions of the various organizations which can be streamlined? Are all three organizations plus SEDOM necessary? Why or why not?
3. Gender issues: How is the Project affecting male vs female entrepreneurs? Specific gender disaggregated data could have included size of loan, repayment rates, and use of business and technical advisory services.