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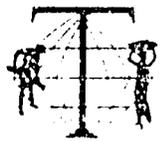
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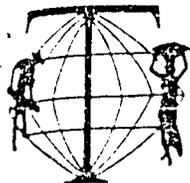
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TNS
Evaluation

SOME
LESSONS LEARNED
IN
SERVING PEOPLE
THROUGH ENTERPRISE DEVELOPMENT

TECHNOSERVE





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March 5, 1982

Dear Colleague:

Technoserve was incorporated in New York in 1969, to work with low-income people in the developing countries. Its main focus has been to help establish or strengthen business enterprises. With fourteen years of field experience in Africa and Latin America, Technoserve has demonstrated that enterprise development is an effective instrument to help people increase their income and to take control of their lives on their own terms.

As a member of the international development community, Technoserve is pleased to share its experience with others. For this reason, we have compiled the following paper, "Lessons Learned," for public distribution. Despite the often involved nature of our activities, throughout this paper we have tried to simplify their complexity, striving for a concise and readable format.

Technoserve approaches each new project as a learning process not only for the people it assists but for itself as well. And we have enjoyed being a contributor to the growth of knowledge in the field of enterprise development. Our organization is continuing to critically assess its projects and programs and looks forward to the learning and sharing of its future experiences.

The appendix summarizes some lessons learned that relate primarily to Technoserve itself. While these may have less general applicability, we think they will interest selected readers.

Sincerely,

Edward P. Bullard
President

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I. INTRODUCTION

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

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

Detailed operating data are available on the 28 major enterprises. An analysis of these 28 enterprises assisted during 1979 through 1981 reveals that:

- 55,000 predominantly low-income people are members or owners of these 28 enterprises
- \$25,000,000 in total assets are held by these enterprises
- \$7,300,000 is their annual gross revenue
- \$1,300,000 is the annual net surplus (profit) for these enterprises

By using various multipliers as they apply to savings and credit societies, agricultural production and processing enterprises, etc., Technoserve estimates that during the three-year period approximately 10,000 direct and indirect jobs have been created or sustained by all of the enterprises and projects assisted by Technoserve, including the 28 enterprises cited above. Further, Technoserve estimates that perhaps 500,000 people have been directly or indirectly affected by our activities.

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

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

II. MANAGEMENT

1. Management Know-How:

Many local development and financing institutions are significantly lacking in organization and management know-how. This very lack of management know-how often includes a lack of appreciation of its value. These institutions simply do not recognize or appreciate the need for technical, organizational and managerial assistance. They incorrectly believe "money is all that's needed."

2. Key Constraint:

While recognizing the need for capital funds, Technoserve has seldom found money the key constraint in the development of successful enterprises. In fact, we are aware of several instances where the funds available greatly exceed the number of good projects available for financing. The key constraint is the lack of technical know-how needed to analyze, review and manage the projects, rather than shortage of investment capital.

3. Focus:

The complexities of small enterprise development, especially in the environments that exist in many countries of Latin America and Africa, seem to dictate a need for specialization. An organization which limits itself to providing technical assistance to small and medium-scale enterprises will probably be more successful than one which has this as only one of its

activities. The state of the art of enterprise development is such that a sharply focused program is necessary to assure reasonable success.

4. Management Information Systems:

A nonprofit development agency such as Technoserve needs a comprehensive management information system just as much as a multi-national business does. It requires sound administrative and accounting systems, reporting procedures, internal auditing programs and budgeting processes to manage both the assisted enterprises and the development agency itself.

5. Redundant Systems:

Because of the many unknowns and the high risks involved in enterprise development, management and decision-making processes should include a number of double checks or redundancies. These redundancies increase the likelihood of catching errors and highlighting areas of uncertainty. Technoserve's "Project Development Procedures" provide for a multiple number of reviews and "go/no go" decision points for each project.

III. STAFFING

6. Staff Tenure:

Technoserve has found it most effective to employ full-time career oriented staff. Its employees must acquire a knowledge of

the economic, social and political environment of the community they work in, as well as the language. It may take more than eighteen months for an employee to develop this familiarity. Therefore, short-term contract employees are not particularly effective as project advisors. However, we find we can make good use of short-term technical consultants in solving specialized engineering and production problems which are less influenced by the local environment.

7. Committed and Well-Paid Local Staff:

By their nature, self-help development programs should be staffed overseas predominantly by host country nationals. Technoserve has found that the success or failure of a program is closely related to the capability and commitment of the host country people it employs. To attract high-grade employees, we must offer competitive salaries and benefit programs which place those people almost on a par with their colleagues employed in the private sector.

8. Continuing Responsibility:

We have found that advisors responsible for the analysis stage of a project will act with greater prudence if they know that they will later be working with that project. Feasibility studies produced by specialists working only as analysts may be better written but the enterprise is less likely to be successful.

IV. PROGRAM/PROJECT DEVELOPMENT

9. New Technologies:

Technoserve has found it often inadvisable to use new technology in its development projects. Unfamiliar technology in developing countries significantly increases the risks and costs involved in starting a new enterprise. An existing technology, which fits the scale of the project, the capabilities of the sponsor group, and the local resource base, is the preferred alternative. While a new type of solar heated hatchery may theoretically save fuel, a tried and proven oil fired one will likely prove more reliable in rural Africa.

10. Selecting Enterprises/Projects:

The larger the number of enterprise ideas received from host country nationals, the more likely we are to make a sound decision as to which enterprise will be economically viable and socially beneficial. Technoserve often reviews twenty enterprise ideas before selecting one. When the pool of enterprise ideas is too small, we are more likely to make a bad judgment. There is a natural inclination for Technoserve project advisers to downplay a weakness in a project idea in order to get on with the selection of a project on which work can begin.

11. Partnerships:

An effective technical assistance program requires a strong

working partnership between the sponsor groups (enterprise promoters) and the assisting agency. To strengthen this partnership it is advisable to have the assisted enterprise pay a fee for services and to have the arrangement spelled out in a formal contract. Also, the assisting agency is advised to be honestly frank rather than charitably vague when discussing project problems. Hard-nosed discussions and negotiations between the parties makes for a real sense of partnership between equals.

12. Timing and Phased Assistance:

In assisting relatively large-scale, complex enterprises, it is useful to structure assistance through a series of phased activities, each phase based on clear concepts and objectives. One can then schedule project development work in terms of the activities the project sponsor can assimilate in an explicit and realistic time frame.

13. Raw Materials:

It is not uncommon to find that enterprise sponsors have an inflated opinion of the amount of raw materials available for processing. It is, therefore, important to check and verify production figures for agricultural or other raw materials as part of the feasibility study. Direct on-site investigation is often required. Otherwise, the danger is that the processing facility will have excess capacity, impairing its chance of profitability.

14. Beneficiary Participation and Commitment:

Enterprise sponsors and beneficiaries must decide for themselves that they wish to start an enterprise and must back up that decision by legally organizing the activity and investing their own equity. Inherent in the enterprise development process is the direct participation of the beneficiaries in all of the major decisions concerning their enterprise.

Enterprises fail when they do not "belong" to local nationals who start, own, and operate them. If the sponsor group is not committed to a new project, as evidenced by their equity contributions, then it is inappropriate for an outside agency like Technoserve to promote it. Agencies are often tempted to put resources in first so as to accelerate the development process. This deprives low-income people of their sense of responsibility and commitment. Additional resources and assistance can be made available only after the local commitment is made.

Related to this is the fact that some part of the local equity can be in the form of "sweat equity"--contributed labor. Initially, Technoserve insisted on cash participation. This requirement left out many people who couldn't put up cash but would have been willing to work. It is now felt that a reasonable value assigned to labor can be capitalized, especially for the lowest-income participants.

15. The Mix of Participants:

Often a project will combine low-income groups with better-educated members of the middle class. This combination of people may be necessary to gain sufficient economic and political leverage to break through local constraints to development. In such instances, agreements should be negotiated to insure the benefits of the effort do not flow unevenly to those who are better off.

Although we prefer to deal with groups of people formed into cooperatives, we do not offhandedly exclude situations where a few individuals acting as entrepreneurs initiate a project, as long as low-income participants benefit significantly. Often the poor alone are not able to develop an enterprise.

16. Existing Enterprises and Turnarounds:

Self-help enterprise development programs are not limited to new enterprises. It may be just as important and often more cost effective to sustain jobs through an existing business or help in its expansion or turnaround. This is particularly true where the existing enterprise can be broadened to include greater participation of low-income people. Because of the relatively short time frame, assisting such enterprises may be more cost effective than starting new ones.

17. Full Range of Services:

Technoserve has found that, to be most effective, it must be able to provide the full range of services required by an enterprise, including initial investigation, implementation, management assistance, training and phase-out. All the pieces of an enterprise must be in place or it cannot be economically viable and socially beneficial.

18. Effects on National Economic Policy:

Once an agency like Technoserve has established its credibility in a host country, it may find itself in a position to beneficially influence that country's economic policies. In its work with enterprises at the grass-root level, an agency generates a good deal of hard economic data, most frequently in the agricultural sector. This data may prove useful to the host country in establishing pricing, marketing, and raw materials policies, thus directly benefitting larger numbers of low-income producers.

19. Linkages and Agricultural Extension:

The development of enterprises that process or market agricultural products tends to stimulate local farm production. This increased production in turn generates a demand for agricultural extension activities. Such activities increase the productivity of low-income farmers by providing essential technical advice and by facilitating the flow of scarce input supplies that increase food and cash crop production on

small-scale farms. Extension services can also be a necessary "backward linkage" assistance component to small-scale agricultural processing enterprises encouraging the farmer to grow raw materials to be sold to local processing plants. This type of positive interdependence between small holder farmers and farmer-owned small-scale processing plants is key in the development of a growth economy in isolated or depressed areas.

20. Linkages to Other Entities:

Technoserve has observed that it can sometimes serve as an important link between rural communities and government agencies. Because it often provides project-related advice and data to host governments, especially in the agricultural and economic policy areas, Technoserve can influence the flow of services to a community. This is of vital importance because an enterprise is an economic entity which depends on the local economic environment as shaped by the government. The existence of a road or a bridge, or a change in a commodity price, for that matter, can make the difference between the success or failure of a business.

21. Subsidized Rural Development:

Rural development must initially be subsidized; this is an unfortunate fact of life. The establishment of rural-based enterprises (or other types of development projects) requires the marshalling of skills and equipment not generally found in the project areas. This requires funds which are usually beyond the

resources locally available and which therefore must be subsidized. The subsidy can be discontinued, however, as the enterprise becomes profitable and part of the economic life of the community.

22. Partisan Politics:

While private and voluntary organizations must operate in political environments overseas, it is possible to maintain a neutral, apolitical posture avoiding involvement in partisan politics. Technoserve has maintained its presence and program in Nicaragua, El Salvador, Ghana and Kenya, all of which have undergone significant political change in the past few years. Despite such governmental changeovers, Technoserve has been able to minimize its political risks by concentrating all of its efforts on its enterprise development program irrespective of the political faction in power.

V. MONITORING AND EVALUATION

23. An Integrated Process:

Monitoring and evaluation systems are most effective when integrated into the ongoing operational processes of assisted projects. The evaluation systems must be simple, with data which can be routinely collected by project managers themselves. This information must be of primary benefit to the project beneficiaries who are operating the enterprise and of secondary

benefit to outsiders.

24. Evaluation as a Tool:

The purpose of evaluations should be positive; that is, learning as much as possible about the impact of the assistance process and how to accomplish mutual objectives more effectively. Replicating what is successful, disseminating what works, taking corrective action in the face of problems, these can all be the benefits of an evaluation process positively conducted. Donor evaluation should not be arbitrarily and independently planned and implemented. The development agency and the donor should jointly participate in the evaluation. Joint evaluation activities, however, should be part of grant agreement terms and conditions.

25. Post Project Monitoring:

Nonprofit organizations, which receive general support grants, are able to establish formalized monitoring arrangements with projects previously assisted. While not charging those projects for such monitoring assistance, the monitoring activity appears particularly valuable in ensuring that the systems and procedures previously established remain in place and function properly.

26. Evaluation of Social Impact:

As a Private and Voluntary Organization assisting people to improve their lives through business development, Technoserve

must look beyond simple reviews of the economic performance of enterprises. Our interest also lies in assessing the impact the enterprises have on the lives of the people who own and operate them, and others who live in the surrounding communities. Simple cost effective means of measuring social impact have not yet been developed, however.

27. Relation of Enterprises to the Development Process:

Both the most superficial and the most thorough evaluations carried out by Technoserve to date have been in agreement on one important point: A well operated community business can often signify the initiation of a process of development which is both self-sustaining and independent of outside (international) inputs. Cattle food concentrate plants in El Salvador create the need for improved water supplies which are built by the communities on their own. These ponds in turn create the possibility for aquaculture (fish farming) and improved sanitation. This is the beginning of the process; we have not yet seen where it will end.

APPENDIX

The following Lessons Learned apply primarily to Technoserve itself.

Identification:

Technoserve is a non-profit organization yet it gives away no money, food, tools, or services, but rather charges a modest fee for its technical assistance services. Most country institutions in countries where we have not worked often are unable to easily categorize Technoserve. It is sometimes felt that we have a hidden political purpose or that we are in a country to take unfair economic advantage. We can counter these concerns by fostering direct contact between countries where Technoserve has worked with those where we have not worked and allow our activities to speak for themselves.

2. Transfer of Know-how vs. Wealth:

It is becoming increasingly apparent that the transfer of wealth itself is not a feasible way to redress the imbalance between developed and developing countries. It is Technoserve's opinion that the enterprise development process is one of the most effective ways to transfer the know-how necessary to generate wealth locally.

3. Assisting the Ideal Enterprise:

Success in enterprise development is dependent on delivery of assistance to the enterprise in a package that includes both financial and non-financial assistance, i.e., effective technical and management assistance. The scale of enterprises is also important. Enterprises whose fixed assets range between \$25,000 and \$500,000 appear particularly cost effective for Technoserve. Further, Technoserve has focused on enterprises owned by groups of people or cooperatives rather than those owned by the single entrepreneur.

4. Food Production:

While Technoserve's program is focused on the enterprise development process in general, Technoserve has learned that most sponsor groups see the greatest opportunity for viable businesses in the food and agricultural sector. Some 75% of our projects directly involve the production, processing, and marketing of food and agricultural products. Most of the remaining enterprises are indirectly related to food.

5. Self-Imposed Prerequisites:

Technoserve has decided that in the long run it can make the maximum contribution to development by initiating a new country program only after certain self-imposed prerequisites are in place. These prerequisites include some form of recognition by the host country government or important local institutions; evidence that there are a significant number of enterprise

developing projects seeking Technoserve's assistance; and indication that funding for the program is likely to be available. These self-imposed prerequisites have sometimes slowed Technoserve's entry into new countries, but it is Technoserve's opinion that the high initial investment will more than be repaid in the future.

6. Process vs. Projects:

Technoserve frequently encounters the problem of trying to explain the difference between "process" (the self-help enterprise development process) and "project" (building X number of schools in Y villages). Donors are often uncomfortable with funding a process where the individual enterprises or projects cannot be pre-determined two or three years in advance. Nevertheless, Technoserve believes it is "process" rather than "projects" which can make the greatest contribution to development. Process allows for an evolution of learning by doing and can provide a flexible response to unanticipated problems. Fixed projects require a predetermined "blue print" approach with little room for learning and improving.

7. Contingency Allowances:

In planning the development of an enterprise, very conservative projections should be used. Significant money and time contingencies and fallback positions should be built into all aspects of a project. A minimum of 15% contingency on operational and other costs should be included. Fallback

positions must be identified for sources of equipment, capital, raw materials and market outlets.

8. Project Criteria:

Project selection should be based on standard criteria applied to each project. In the case of Technoserve, the following criteria are used in evaluating assistance to all projects. Each Technoserve assisted project should:

- have measurable potential for achieving economic viability
- respond to the needs of low-income people and the local community
- have as broad a base of ownership as is possible and practical
- have appropriate local leadership
- be labor intensive when technically and economically feasible
- use locally available raw materials, particularly agricultural products whenever possible
- have adequate local participation in equity investment
- be ecologically appropriate to the local environment
- not discriminate in favor of a particular group or sex
- not have ready access elsewhere to the services which Technoserve provides.