END OF GRANT EVALUATION

ON

THE RURAL ENTERPRISE EXTENSION SERVICE

KENYA

Implemented by

PARTNERSHIP FOR PRODUCTIVITY

Under Grant #AID/afr-G-1328

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I. EXECUTIVE SUMMARY

1.0 Nature of the evaluation

The evaluation report submitted in this document concerns the Rural Enterprise Extension Service project of Partnership for Productivity. According to the AID OPG grant agreement (AID/afr-G-1328), a formal evaluation of the entire REES project was to take place during the final year of the project. The evaluation team was to be composed of two outside consultants mutually agreed upon by the Grantee and by USAID/Kenya. The team was to examine actual project achievement compared to project purpose and projected outputs, the validity and significance of data collected, and the cost-effectiveness of the REES as a delivery system.

1.1 The Evaluation Team

USAID/Kenya contracted the authors of this evaluation as consultants to conduct a field study of the REES project and to submit an evaluation report within one month after the study was completed. The team consisted of Dr. Albert Maleche of Nairobi and Dr. Galen Hull of Washington, D.C. The field study was begun in early March, 1981, with a meeting between the consultants, USAID officials, and PfP staff members. It was completed with a presentation of findings and conclusions in a meeting on March 20. The final report was sumitted to USAID in April.

1.2 Scope of Work and Methodology

As stated in the scope of work agreed to by the consultants, the evaluation took place with the cooperation and collaboration of both USAID officials and the PfP staff. As stipulated in the document, this evaluation follows the format set forth in USAID's project

evaluation summary (PES). In the first meeting between the consultants and USAID officials it was made clear that the focus of the evaluation should not be on the cost-effectiveness of the project since this was the proper function of an audit. It was further stated that the evaluation should be limited to the REES project itself. This stipulation was the subject of several discussions, particularly with Mr. Kevin O'Donnell. Obviously, the evaluation team agreed to this provision. As this report shows, however, the team felt compelled to examine the REES in the context of other PfP/Kenya activities. This report attempts to incorporate the comments and suggestions of USAID and PfP staff during the March 20 presentation.

2.0 Summary and Recommendations

In this section we present both the summary of our observations on the current situation of PfP/Kenya and achievement of REES project purpose and the recommendations addressed to policy and program issues.

2.1 Summary of conclusions

The evaluation team concludes that most of the benchmarks used to measure project output objectives, and thus to evaluate project purpose were unreliable. The indicators suffered from lack of adequate baseline data from which they were derived. Nearly all the indicators were lacking in clear definitions, especially such key terms as "trained" and "profit." On some measures the project was successful in terms of what was expected: number of field consultants trained, collaboration with government agencies, and expansion into new operational areas.

In qualitative terms, the evaluation team feels that as a prototype of assistance to small-scale business enterprise in the rural areas the REES project deserves special consideration. Its services are still very much in demand; clients attest to the fact that their managerial and technical skills have improved with PfP assistance. For the REES to become more effective, two important issues must be

resolved: the relationship of extension service to credit assistance, and the integration of other PfP program activities into the extension service.

Our observations on PfP activities affecting project operations are divided into strengths and weaknesses, as follows:

2.2. Strengths

2.2.1 The team is persuaded that PfP is essentially a sound organization at the service of the people of Kenya, managed by Kenyans.

2.2.2 PfP operates in an atmosphere that is quite favorable to the goals of participatory development, including a tradition of Harambee as well as a government committed to a program of development.

2.2.3 Based on interviews with 35 individuals and groups, the team is convinced that there is strong client demand for small business extension services, even where there have been misunderstandings in the past.

2.2.4 PfP field consultants are generally available to their clients, despite constraints of time and distance, and are dedicated to their work.

2.2.5 The senior management of PfP/Kenya is of high quality and is committed to the association's objectives.

2.2.6 Although the newly constituted PfP/Kenya Board has met only once since August 1980, those members interviewed by the team expressed strong personal interest in the welfare of PfP and dedication to its goals.

2.3 Weaknesses

2.3.1 Leadership of PfP/Kenya has been weak and inconsistent, both in terms of policy formulation which is the domain of the Board and program implementation which is the responsibility of management. This was true during most of the grant period and continued to some extent to be at the time of the evaluation, (see IX, beneficiaries).

2.3.2 The PfP/Kenya Board has failed to set its own policy guidelines; policy and management decisions have been unclear. (The Board was scheduled to meet at the end of March, shortly after the evaluation was concluded). Clear policy guidelines are needed on a range of issues: new program directions, fund-raising priorities, and organizational structure.

2.3.3 The terms of service for PfP personnel are vaguely defined. Staff members remain uncertain as to their role in program operations. (At the time of the evaluation the general manager was planning to submit a proposal for terms of service guidelines to the Board for approval).

2.3.4 Although PfP/Kenya has recognized for the last several years a need to seek recognition and funding from the government of Kenya, this has yet to be achieved. This is not to imply that earnest efforts have not been made and continue to be made. We seek to emphasize that the future development of PfP/Kenya as a national institution will be determined to a very large extent by its relationship with the government and its program of national development.

2.4 Recommendations

2.4.1 Financial Support

The evaluation team recommends that the REES grant be extended to enable PfP to continue its extension service. Since the end of the OPG grant period, PfP has had insufficient funding to continue adequate extension services or to expand its area of operation beyond two regions.

2.4.2 Management

It is recommended that PfP be re-structured to indicate clearly the terms of service, job description, and lines of communication. For example, the question of the role of regional managers must be addressed. PfP/Kenya has been lacking in a clear organizational structure and appropriate role definitions for its personnel, resulting in a continuing crisis of leadership. (The evaluation team notes that it was the intention of the general manager to propose terms of service to the Board at its March meeting. It is incumbent upon the Board to take action as soon as possible.).

2.4.3 Integration with government of Kenya development program

It is recommended that highest priority be placed on seeking Ministry of Planning recognition of the role of PfP in small business development, including financial support for PfP activities. With the Moi government's emphasis on rural development, it becomes all the more important for PfP to have its role in national development defined to the mutual satisfaction of PfP and the government.

II. INSTITUTIONAL DEVELOPMENT OF PfP/KENYA

3.0 Origins and Development

Partnership for Productivity is a non-profit private voluntary organization dedicated to human and economic development in the Third World. It was founded by David Scull in 1969 and its earliest focus of program development was in Kenya. PfP came into being as a result of Friends (Quakers) who felt a concern for sharing business management expertise from industrialized parts of the world with people in the developing world. In late 1970, George Bulter arrived in Kenya and began to lay the groundwork for a partnership between the U.S.-based parent organization and an indigenous Kenyan association.

The memorandum of association of the Partnership for Productivity Service Foundation (Kenya) was drawn up in November 1970. The objective of the association was stated as providing services in Kenya generally and in the Western Province in particular: "to render advice, without respect to social and religious differences, to businessmen on problems relating to administration and organization of industry and business and the training of personnel..." Eight Kenyans were signatories to the memorandum of association. The articles of the association stipulated that it would be governed by a Council (often referred to as the Board) which would meet whenever it saw fit. The initial composition of the Council was to include six representatives from the East Africa Yearly Meeting of Friends, 3 further representatives to be nominated by the Yearly Meeting after consultation with overseas supporting organizations, and one representative each from the National Christian Council of Kenya, the Industrial and Commercial Development Corporation, the Kenya National Chamber of Commerce and Industry, and one nominated by the Provincial Commissioner for the Western Province.

Until the 1972 Annual General Meeting of the association these persons named were considered to be elected members of the Council. Thereafter, membership on the Council was to rotate. Although PfP/Kenya has

maintained a close relationship with the East Africa Yearly Meeting of Friends, it has always been stressed that the organization is not for the benefit of Friends alone. Its services were initially concentrated in the rural areas of Vihiga, Bungoma, and Kakamega Districts which are thickly populated. While Quaker influence in these districts is pronounced, there is a remarkable diversity of denominational affiliation in the area.

3.1 Summary of PfP Program Development: 1970-1980

In June 1971 the Government of Kenya officially recognized PfP as a non-profit organization. Initial activities of PfP included business management and bookkeeping advice to small enterprises and an I.L.O. sponsored one-week course in business accounting for would-be entrepreneurs. PfP staff members began to teach commerce and business administration courses on a voluntary basis at Friends College at Kaimosi, assisting graduates in job placement with local businesses. PfP also began a loan agency, West Kenya Productivity Investments (WKPI), which provided small loans to business persons on a short term basis.

By the summer of 1972 PfP had expanded its activities into several new areas. A business clinic was established at the PfP office in Kakamega for business persons to discuss common problems and seek advice. PfP staff members began working with the Keveye Village Polytechnic, providing management and bookkeeping instruction to students. A proto-type project of business advice to small-scale entrepreneurs was established at Shinyalu Market which would lay the groundwork for PfP's Rural Market Loan Scheme. During this period the first contacts with government agencies were initiated. PfP provided training assistance to the Provincial Vocational Rehabilitation Center in Kakamega. Also in 1972, PfP Investments (PfPI) was formed as the for-profit arm of PfP operations. Among its major shareholders was Barclay's Bank.

The year 1973 is characterized in PfP history as the "year of change" (Charlesworth, 1974; Annual Report 1977-78). The first steps toward "decentralization" of project activities were taken with the

opening of sub-offices in Majengo and Shinyalu in order to reduce travel costs and bring PfP staff closer to its clients. PfP advisory services underwent a change in approach: henceforth, group instruction of clients was to give way to a "one-on-one" consultation by PfP staff with clients in their place of business. The loan fund under WKPI was substantially de-emphasized because PfP staff "could not play the dual role of management advisors and loan administrators." At the same time, PfP began experimenting with a Rural Market Loan Scheme (RMLS) in which WKPI revolving loan funds were made available to market committees. With the arrival of two handicraft technicians sponsored by the German Volunteer Service, PfP began a cottage industries project in cooperation with the National Christian Council of Kenya. Finally, the PfP staff experienced the first of several major turnovers in personnel. By the end of the year General Manager Bulter had departed Kenya, and the Board began its search for an African replacement for him.

During the early months of 1974, PfP/Kenya concluded after an assessment of its business advisory program that the major reason for business failure was lack of awareness of basic management principles. This conclusion was substantiated by a study conducted by Dr. Malcolm Harper, a professor at the University of Nairobi's institute for development studies, (I.D.S.). His study concluded that although nearly all shopkeepers believed they needed additional capital more than anything else, their main problem was poor deployment of the capital they did have. These findings led to the conclusion that an extension service was needed. While PfP had previously experimented with types of extension services, the Harper study provided the basis for a training program for small business consultants.

In April 1974, the senior staff of PfP conducted a training program using Harper's concepts at Kaimosi Friends College. From the 40 applicants 20 trainees were chosen, most of them Friends College students who had completed a year's training in accounting. Of the trainees, 12 were chosen as PfP consultants and placed at sub-offices in Vihiga, Webuye, Bungoma, and Kakamega. This "bicycle brigade", as they were called, was the beginning of what came to be known as the Rural Enterprise

Extension Service (REES). By early 1976 REES was established as the major PfP project and a project description was written.

The year 1975 was notable mainly for the change in personnel. The Board had begun looking for an African General Manager. In early 1975 the first Kenyan senior staff member, Matthew Mwenesi, was hired as Administrative Manager. William Ramey was installed as General Manager and Leland Dresser joined PfP as Program Co-ordinator, later changed to Operations Manager. In mid-1977, Edward C. Ohare and Fred Lubang'a were employed as Project Supervisors. With the departure of all the expatriate staff by mid-1978, Mr. Ohare was named acting Administrative Manager and Mr. Lubang'a was appointed acting Operations Manager. This concluded the complete Kenyanization of the senior staff of PfP/Kenya.

By 1976, according to the Annual Report 1977-78 (p. 12) "the REES took on a new dimension as it became fully complementary to the RMLS... the objective of the program during this year was not so much to expand REES and RMLS activities but rather to consolidate all PfP projects into a coherent program in order to achieve meaningful results in the interests of PfP clients." The REES delivery system was revised as were RMLS loan requirements to become more consistent and integrated. Also during the year channels with the Government of Kenya were opened up with a meeting between the Minister and Commerce and Industry and PfP Board and staff members. The REES OPG proposal was submitted to AID in May 1976.

The following year witnessed few changes in PfP program activities and methods of approach. The REES OPG was officially signed off on by AID authorities by August 1977; as it became operational new staff was added and the REES began to be the focus of PfP activities. At the same time such PfP projects as the SDP (Self-Developing Projects) and the cottage industries were de-emphasized. By 1978 PfP was involved in a number of seminars with various government agencies. Among these were meetings with the District Development Committees and Provincial Development Committees where proposals were submitted for inclusion in

the Kenya National Development Plan for 1979-83. PfP also made contacts with the Kenya Industrial Estates (K.I.E.) with a view toward seeking collaboration in providing training to K.I.E. clients in management skills. During this period the question as to PfP's expanding into other regions of the country came to the fore. The Board took the decision to move into Nyanza, then Rift Valley at the beginning of 1979, and finally to Central Province by September 1979.

In October 1979, Charles Khaminwa was hired as General Manager as PfP/Kenya was faced with another administrative and funding crisis. By early 1980 radical steps had been taken to alter the composition of the PfP/Kenya Board and the orientation of the entire PfP program in Kenya. The principal change was outlined in a document entitled "Restructing PfP Services and REES Delivery System" (dated February 15, 1980). In an auto-critique of PfP activities it was noted that the weak point is that PfP "only works with individuals and confines itself too narrowly to management training. PfP does not deal with the full range of problems responsible for commercial underdevelopment such as lack of credit and of local groups capable of honest and effective administration of loan schemes..." With the ending of the OPG grant period in June 1980, the greatest portion of the General Manager's time was necessarily taken up with fund-raising efforts during 1980.

3.2 Issues in PfP/Kenya's Institutional Growth

It may be useful for the purpose of this evaluation, as well as the comparative study of similar private voluntary institutions, to try to isolate some of the issues that have confronted PfP/Kenya in its first decade of development. The identification of these issues should inform the reader as to reasoning the evaluation team used in arriving at its conclusions and recommendations.

3.2.1 Kenyanization. Mid-way through the first decade of PfP/Kenya's operations the question of the organization's African personality was of sufficient concern for Planning Assistance (New York) to be asked

to conduct a study of prospects for "Kenyanizing" PfP's program and staff, (Metzner and Brown, 1975). It is worth quoting at length from the report's summary of responses from field interviews:

> The staff, government, and clients all perceive of PfP as a USA run program. The Board views PfP as a "partnership" between the two Boards. Kenyanization of the program is viewed as two-pronged: first, the identification and hiring of Kenyan senior staff such that there is eventually a Kenyan Program Director and, second, the transfer of decision-making power (including and, perhaps, symbolized by the power of the checkbook) to the Kenya Board of Directors. Most of the people interviewed favored Kenyanization of the program -- many with the proviso that persons with demonstrated competence be hired...The staff and Board members who expressed opinions on the transfer of power did so not as an attack but rather on an evolutionary process which takes careful, conscious steps to maintain the important relationship of support and exchange between the Kenya and USA Boards and staffs.

In summarizing the attitudes of PfP/Kenya Board members, the report noted some feeling that the African Board "serves as an advisory body to the USA, and that decisions are not final until and unless approved by the PfP/USA staff or Board." It was this feeling, the report observed, that made attendance at Board meetings irregular and "the feeling of committment a difficult one to maintain." Nevertheless, the Board members seemed to feel that "partnership" with the USA Board was vital and should continue.

The Planning Assistance report also addressed directly the question of the relationship between PfP/Kenya and the Government of Kenya. Board members were reported as believing that the government was <u>not</u> serving the same people that PfP served; in fact, they felt that the government's role in the provision of advisory services to the small business person was "nil" to date. For their part, government officials interviewed were found to be "remarkably uninformed about PfP's specific identity, although all had knowledge about PfP as an organization in general terms." Many officials viewed PfP as a lending institution as well as an extension service for small businesses.

The Planning Assistance report, however, did conclude that PfP needed to move quickly to collaborate with the government since the latter was considering the creation of an agency whose purpose and methods would be very similar to those of PfP. Hence, if PfP did not become involved in that effort its program might become "superfluous" in the near future, (p. 36).

3.2.2 Approach to Clients: Individuals vs. Groups. At the heart of this issue is the question of who the African entrepreneur is or ought to be. After an initial period of experimentation PfP/Kenya decided to shift the focus of its extension service in 1973, (Charlesworth, p. 5). In the first evaluation of PfP conducted in 1974, Charlesworth noted that "the role of group instruction of businessmen had been down-graded in importance, and a different advisory service approach adopted. This new approach is based on the thesis that Kenyan businessmen are best served by a "one-to-one approach." In his analysis of requirements for a delivery system to promote entrepreneurs, Charlesworth (a professor of business and economics at the University of Kentucky) underscored the importance of the attitudes and mores of a society, (pp. 1-2). He noted that a society structured toward "achievement motivation" would produce the type of individual who will recognize new business opportunities and assume risks. Therefore, any delivery system seeking to promote an increase in entrepreneurial supply must recognize the importance of value concepts and how they relate to business decisions.

By 1980, a new set of concerns and assumptions about the nature of development led to a re-definition of approach, (PfP, February 15, 1980). Having identified the weakness of PfP as limiting itself to work with individuals and only to management training, PfP/Kenya established new guidelines for who should be PfP clients. To date, PfP had assisted individual entrepreneurs with at least Kshs 1,500/ worth of stock, operating from a permanently constructed place of business. The new guidelines proposed two levels of clients: 1) Markets, reaching "community clients" through market committees, and 2) Group

or Individual Enterprises, regardless of whether they are housed in permanent buildings. This category of clients could include those who are agricultural producers or processors. As a general guideline PfP would aim to have more than half of its clients in activities other than general retail trade. The new guidelines further stipulated that "instead of teaching individual entrepreneurs, the consultant will be responsible for increasing the number and quality of small enterprise opportunities in the markets where he is posted."

3.2.3 Extension service vs. credit assistance. The question as to whether PfP/Kenya aims to provide extension service and credit assistance to its clients seems to have always hung in the balance. The complementary nature of these two functions has generally remained in question. During the early years PfP granted loans to individuals and market committees without provision of collateral or repayment arrangements. As a result, the repayment rate on early loans was very slow. Nor was there any provision for tying the loan program to extension services. The revolving loan fund began to dry up and PfP was unable to secure additional sources of funding for the loan program.

With the establishment of the REES project from 1974 onward more attention was paid to extension services. The Planning Assistance report examined the problem of "loans vs. advice" in considerable detail, (pp. 12-16). Their survey revealed that 75% of PfP clients saw lack of credit as their most pressing problem while 50% cited need for advisory services as the most important. When asked about the main role of PfP, clients first cited advisory services. This finding, according to the report, represented "success in the attempt by PfP to change its services from loan giving to advice giving." Every member of the PfP staff interviewed said that advisory services "are the unique role that PfP sould serve." In fact, the staff felt that the major problem facing PfP was the "confusion over exactly what PfP does and the thinking that it is a loan institution."

The Planning Assistance report concluded that PfP "should make no direct loans and that WKPI be discontinued as such."[11] It suggested that direct loans might better become the province of some other agency, thus taking pressure off the consultants who were often expected to "reward" their clients with loans, (p. 36).

By the end of 1978, thinking on this subject within PfP was quite the contrary to the recommendation contained in the Planning Assistance report. The Annual Report 1977-78 stated that it was "strongly felt that PfP should expand the Market Loan Scheme." (p. 33). It was argued that the businesses served by PfP generally lacked collateral security to qualify for loans from the formal banking institutions. The report indicated that a proposal to attract capital for greater loan activity had been written (RMLS Proposal: Outline and Re-draft, no date).

Credit assistance continued to be a basic element in PfP planning as late as 1980, although no new source of funding had been procured. The February 1980 document ("Restructuring PfP Services and REES Delivery System") stated that the REES system "will be supplemented by the Rural Market Loan Scheme as soon as a market can prove to PfP that it has a local committee which is both honest and capable of administering a small loan scheme fund." However, it was stipulated that these funds would exist only for the purpose of teaching the responsible use of credit...the credit needs of various clients will not be met by these small local schemes."

3.2.4 Financial/Administrative Problems. PfP's principal administrative problem was identified in the Charlesworth evaluation as "a flow of funds problem," (p. 19). It was noted that "the timing when the project receives revenues corresponds only erratically with the project's expenditure needs." Consequently, the project administrator was forced to neglect his primary responsibility of giving management assistance as the senior staff person to Kenyan businessmen and concentrate most of his time on fund-raising.

Although PfP/Kenya has received funding from a wide variety of sources in its first decade of development, it relied upon PACT and USAID to a large extent from 1974. The figures presented in the following table are not directly comparable since those for 1974 are for the entire year and those for 1980 are for the period from January to June. Neither column reflects the sizeable in-put of USAID under the REES OPG since the first half of 1980 represents only an extension of the grant period. But the table does indicate the difficulty faced in attempting to diversify sources of funding. Furthermore, it must be noted that fund-raising efforts had begun to meet with marked success by the time of the evaluation in March 1981.

PfP REVENUES 1974 - 1980

(in U.S. dollars)

Source of Revenue	*1974	**1980 (first half)
USAID	40,000.00	20,239.33
PACT	18,000.00	67,968.50
World Council of Chruches	30,000.00	-
Barclay's Bank, UK	10,000.00	-
Clients' Contributions	-	306.40
Other	32,000.00	6,617.40
Total	130,000.00	95,131.63

*Source: Charlesworth, 1975, p. 20.
**Source: PfP Semi-Annual Report, January-June 1980, p. 1.

In addition to the crisis management mode ofoperation imposed by the continued uncertainty of funding, there has been a question as to the decision-making process itself. In the first instance this meant lack of clarity as to whether the PfP/USA Board or the PfP/Kenya Board set policy. Secondly, it has had to do with the participatory mechanisms established for staff and clients to be involved in decisions affecting

program operations. The Planning Assistance report suggested the creation of a "clients council" that could review the activities of PfP/Kenya and offer advice, (pp. 37-38). It further proposed the involvement of PfP staff and Board in the fund-raising process to the extent feasible. It proposed that PfP senior staff occasionally participate with other staff in their work tasks "so that they be seen not as an elite but rather as part of the working team." Finally, the report noted that the need for PfP/Kenya to set priorities was not clearly recognized by all members of the staff. The report urged PfP to define its goals carefully and apply its limited resources in an effective manner.

In its comparative study of private voluntary organizations in Niger and Kenya, Development Alternatives, Inc. (DAI) ranked PfP/Kenya lowest among 17 projects in terms of benefit-cost ratio, giving it a minus ratio, (Barclay, et. al., 1979, p. 46). The DAI evaluation concluded that the relatively high cost projects such as PfP/Kenya's were found to have "marginal impact" (p. 51). It is conceded in the evaluation, however, that there were differences according to functional types of organizations: the skill formation/training projects were all ranked as either moderate or marginal on the impact scale.

3.2.5 Geographic Area of Operation. The question of PfP's expanding its operations beyond the initial confines of the Western Province has generally been linked to that of funding and staffing capabilities. Government officials have tended to suggest that PfP would stand a better chance of support if its operations were extended to other regions of Kenya. During 1978 new sector offices were thus opened in two additional Provinces: Rift Valley (Kapsabet, Nandi Hills), and Nyzanza (Ahero, Yala, and Siaya). These areas are economically and culturally similar to neighboring Western Province. The decision to open a PfP office in Central Province at Nyeri in 1979 raised important questions as to the replicability of PfP activities. Central Province is generally more economically advanced, culturally distinct from the other provinces, and therefore requires a different level of extension services.

3.3 Rural Enterprise Extension Service (REES)

The extension service project which had its origins in the "bicycle brigade" of 1974 is principal subject of this evaluation. With the decline of WKPI loan activities and the suspension of most of the RMLS activities by the end of 1978, the REES project became the major focus of PfP program efforts. In 1976 PfP submitted a proposal for an Operational Program Grant to support the REES project. On June 8, 1977, PfP was informed that OPG No. AID/afr-G-1328 had been officially approved for the sum of $360,000.00 in furtherance of program objectives during the period April 1, 1977, to March 31, 1980. (The OPG was later extended to June 30, 1980, at no increase to the grant cost.) Total project cost over the three-year grant period was projected to be $630,950.00, with PfP providing the balance from other funding sources. A.I.D.'s contribution provided funding for projected expenditures of $96,000, $120,000, and $144,000 respectively over the three-year period. It was stated that the purpose of the OPG was to provide support to the REES program whose goal was: to demonstrate an effective, efficient and replicable rural enterprise extension service that increases the managerial and technical ability of small-scale, rural enterprise owner/operators. (OPG AID/afr-G-1328, grant document).

3.3.1 Project Description. The OPG document described the REES as being structured to provide relevant, appropriate, individual training and advice to the wide variety of rural enterprises found in Western Kenya. It was estimated that there were about 7,000 businesses operating in the Western Province, the majority of them small-scale, sole-owner units. In the list of objectives of the REES under this OPG it was proposed that at least 20 Kenyan business consultants would be field trained. They, in turn, would serve and train an average of 50 business persons per year per consultant, for a total of 3,000 by the end of the grant period. It was anticipated that the REES project would be expanded into two new

operational areas. The Grantee was urged to increase its collaboration with other GOK initiatives in small business and to solicit government interest in introducing a similar program into other areas of Kenya.

The OPG document proposed specific guidelines for training and staffing to meet REES project needs. Two groups of 10 to 12 field consultants were to be trained in each of the first two years of the grant period. The training period would be for four months. It was expected that each field consultant could work with 15 to 25 clients at a time, serving businesses within an 8 to 10 km. radius of his field office. Initially the project staff was expected to consist of the following personnel: 11 field consultants, three field supervisors, one project supervisor, one technical specialist, one project (operations) manager, and one administrative manager. With the exception of a project consultant position, the grantee was expected to have Kenyanized all positions by the end of the grant period. In addition, there was to be a data analyst responsible for devising a data collection system. Data was to be collected on the entire client group and a control group during the life of the project. It was further expected that the project would test various fee structures for services rendered by its consultants so as to help defray project costs.

The OPG document provided ten benchmark targets to be used in measuring and evaluating quantitative achievements of REES, <u>based upon May 1976 operational data</u>. These benchmarks are examined in the body of this evaluation under outputs. Finally, the document required that PfP conduct an annual in-house project progress assessment analyzing client and control group business performance data. A formal evaluation of the entire REES project was to take place no later than the third quarter of the final year of the grant period so that evaluation findings could be available for inclusion in the final report.

3.3.2 Internal Evaluation of REES: The Ewing Report

The first extensive evaluation report of REES activities was undertaken by the PfP staff under the direction of operations manager

Leland Dresser and the research assistance of Dr. Mary Ewing of the faculty of Friends College, Kaimosi, (Ewing, no date, probably early 1978). The focus of the report was specifically on REES and was conducted over a two-month period. At the time of the study, the staff of REES consisted of 19 field consultants, two assistant supervisors, two project supervisors, and one project consultant. PfP was reported to have provided service to over 500 businesses and interfaced with another 500 to 600 persons in some form of training. A typical PfP client, drawn from the random survey of 150 was: male (72%), married (94%), aged 37, and engaged in petty trade such as provisional goods, hardware, and clothing (79%). The balance of clients were engaged in manufacturing of furniture, metalwork, carpentry, and bicycle repair (11%); services such hotels, restaurants, and bars (6%); and group activities such as crafts cooperatives (4%), (pp. 1-5).

The purpose of this formative evaluation was stated as "identification of the program mission, definition of inherent constraints, and offering information as to the effectiveness with respect to the recipients: the PfP clients." (p. 21). A total of 49 clients were interviewed. Difficulties in selecting those with reliable project-related information were described as constraints to the study. Furthermore, it was decided not to attempt to gather data on control groups since it was considered doubtful that any reliable information could be obtained from non-PfP clients.

The Ewing study attempted to show trends in annual sales (comparing large to small market clients), gross sales, gross profits, not profits, and total assets. It was concluded that small market groups enjoyed a higher sales volume than large market groups. Competition allowed less flexibility in increasing profit margins in the large markets. The study observed that the greatest achievement was that clients were making a dramatic improvement in the "amounts of money realized for their efforts" in contrast to the unchanged percentage of net profits, (p. 15). It was suggested that the net profit figures were actually higher than what was revealed in client records

since many clients tended not to disclose profits invested in family needs such as school fees.

In conclusion the Ewing report stated that "when allowances are made for a small marginal error factor and inflation, the data trends are positive" (p. 22). When financial and improvement indicators were weighed against "human achievements" the results were considered highly favorable. Although the report did not calculate the cost effectiveness of the REES, it was estimated that the cost of consultant time per client was running about $7.00 an hour. In sum, the report found that PfP's relationship with clients was good and that many clients had a promising future in business.

3.3.3 Restructuring REES: 1980-81

It is most important for the reader of this evaluation to understand the historical context in which the evaluation took place. During the first half of 1980 PfP started a new approach toward rural development aimed at greater involvement in such activities as irrigation, vegetable production, and small scale industries. The semi-annual report for January-June 1980 describes a wide variety of new projects in these areas without giving much detail as to the functioning of the REES project. It was reported simply that the management training and advisory services "continued as per schedule." (p. 16). Consultants in every sector continued to provide management assistance and follow-up to individual traders, but "these activities slowed down as a result of greater involvement in community development work."

By the end of the grant period in June 1980 PfP was assisting a total of 286 business persons in Western, Nyanza and Rift Valley Provinces, according to the report. (No mention was made of activities in Central Province.) Consultants kept an average client load of 17 at any one time. The report indicated that PfP had assisted a total of 867 business persons since 1976. (The Ewing report stated that 500 businesses had received services and another 500-600 had some "interface" with PfP.) The cost for providing extension services was reported

to be $7.00 per consulting hour (the same as in the Ewing report). The staff of PfP in June 1980 numbered 41, of whom 25 were field consultants. Total client contributions from client fees amounted to $306.40.

The fact that PfP/Kenya was still in a period of transition at the time of the evaluation carried implications for the evaluation. methodology. With the de-emphasis on individual client counseling came a corresponding lack of attention to data collection regarding client business activity. PfP staff became less pre-occupied with gathering information required under the OPG and more concerned with implementing the new directions calling for increased involvement in community development. The evaluation team therefore had to weigh the need to assess the accomplishments of the REES project during the grant period against the objectives which PfP had set for itself at the time of the evaluation.

III. EVALUATION METHODOLOGY

4.0 Program Evaluation Summary (PES) Format

The categories of information requested in the contract between USAID/Nairobi and the evaluators conform to the standard PES format. The general outline of this report is intended to follow that format, with some modifications. The sources of information used in this evaluation fall into two basic categories: interviews with AID officials and PfP/Kenya staff and clients, and written documents related to PfP/Kenya activities. The list of interviews which follows is intended to be as complete as possible and the bibliography germane to PfP program activities.

The main problem of methodology concerns the focus on REES project activities per se. While the main purpose of the evaluation was to assess the efficiency and replicability of the REES project in terms of the grant agreement, the evaluation team found it essential to try to place the REES in a larger historical and program context in order to understand more fully. Only in this manner can the measures of project "success" be given meaning. It should be noted from the outset that the evaluation team does not place a great deal of importance on the quantifiable measures prescribed in the OPG. This is not only because it was difficult to obtain information that corresponded to those categories, but because the meanings attached to project achievements by clients and staff remained unclear; e.g. the definition of what constitutes a "profitable" business.

In addition to the extensive interviews with AID officials and PfP staff held in Washington and Nairobi, the evaluation team conducted open-ended interviews with 35 individual and group clients in the field. The schedule of interviews was determined not by any random sampling techniques but were chosen by the PfP staff on the basis of their availability, reliability of records, and representativeness

in terms of current program objectives. This accounts for the large number of clients other than petty traders who may have been contacted by PfP field consultants only in the last year. The "typical" PfP client is still male, married, and engaged in some form of petty trade. However, it is clear that increasingly PfP consultants are reaching out to women, groups, and productive enterprises other than petty trading.

Therefore, while this evaluation attempts to assess the measureable outputs under the grant period, it also aims at understanding the REES project in its present context and future goals.

LIST OF PERSONS INTERVIEWED

From February 24-March 21, 1981

4.1 AID Washington

Ross Bigelow	Office of Private Voluntary Cooperation
Edward Glazer	Bureau of Private Development Cooperation
Michael Farbman	Office of Urban Development (PISCES) Bureau for Development Support

4.2 PfP/USA Washington

Andrew Oerke	Executive Director

4.3 USAID/Nairobi

Kevin O'Donnell	Assistant Director Multi-Sector & Engineering
William Lefes	Program Officer
Agola Auma-Osolo	Program Office

4.4 PfP/Kenya Council Members

Enock Imbuye	Chairman of Council, Farmer	Endebess
Elijah Enane	Former Chairman of Management Committee, Businessman	Kakamega
Japheth Shamalla	Permanent Secretary, Ministry of Works, formerly Commerce/Industry	Nairobi

4.5 PfP/Kenya Staff

Charles Khaminwa	General Manager	Nairobi
Edward C. Ohare	Administrative Manager, Acting Regional Manager/Nyeri	Nairobi
Andrew Peppetta	Project Consultant/Ag Engineering Acting Regional Manager/Western Training Officer	Kakamega
Manoah Wituka	Project Consultant/Industrial Engineering	Kakamega
Odd Ingebretsen	Project Consultant/Industrial Engineering	Kakamega
Rosemary Awino	Legal Officer/Law in Development	Nairobi
Peter Ogolla	Accounts Officer	Kakamega
Aggrey Ombima	Assistant Supervisor/Central Province	Nyeri
Teddy Nangame	Field Consultant	Ahero
Benson Akala	Field Consultant	Kakamega
Andrew Mulongo	Field Consultant	Malava
Christopher Wanjala	Field Consultant	Misikhu
Stephen Ombwayo	Field Consultant	Siaya
Paul Elabuna	Field Consultant	Yala
Jamleck Mugo	Field Consultant	Karatina
David Kiragu	Field Consultant	Othaya
Bramwell Sabwami	Field Consultant	Nyeri

4.6 Non-PfP Staff

Mr. Muhanji	Former PfP Consultant/Designer Cottage Industries	Kakamega
Mr. Washika	Acting Principal, Friends College, Kaimosi	Kaimosi
Hamilton Udato	Teacher/Food Processing, Friends College, Kaimosi	Kaimosi

4.6 Non-PfP Staff (continued)

Nathan Luvai	Friends Church leader, consultant to Chango Women's Society	Vihiga
Jacob Seem	Director, Keveye Village Polytechnic	Vihiga
George Abura	Council, Kakamega Municipal Council	Kakamega
Ethan Atkin	Headmaster, Secondary School	Bushiangala
Gloria Letherwood	Peace Corps Volunteer, consultant to Kaimosi Cottage Crafts	Kaimosi
Masinde Muliro	Farmer, Former Cabinet Minister, prominent political leader	Kitale
Richard Ondeng	Deputy General Secretary, National Christian Council of Kenya	Nairobi
Kadzo Kogo (Ms.)	Program Secretary, Urban Community Improvement Program of NCCK	Nairobi

4.7 PfP Clients and Former Clients

DATE	LOCATION	ENTERPRISE OR GROUP	REES	LOAN	STATUS
Mar. 6	Shinyalu	Furniture	yes	yes	inactive
	"	Treasurer, Market Committee	yes	yes	inactive
	"	Petty Trader (woman)	yes	no	active
	Khayega	Petty Trader	yes	no	active
	Kakamega	Petty Trader/Posho Mill/Bar	yes	no	active
	"	Petty Trader	yes	no	active
	"	Furniture	yes	no	active
	"	Tailor	yes	no	active
	"	Tiger shoes, (employee)	no	no	inactive
Mar. 9	Kaimosi	Kaimosi Cottage Crafts (women's group assited by SDP)	no	no	inactive
	Ahero	Tailor/Petty Trader	yes	no	active
	"	Petty Trader	yes	no	active
	"	Flour Mill/Petty Trader	yes	no	active
	"	Shoemaker/Shoe repair	yes	no	active
	"	Vegetable sales (woman)	yes	no	inactive

4.7 PfP Clients and Former Clients (continued)

DATE	LOCATION	ENTERPRISE OR GROUP	REES	LOAN	STATUS
Mar. 9	Vihiga	Chango Women's Society (PfP assistance under SDP)	no	no	inactive
Mar. 10	Kakamega	Metalwork (K.I.E.)	yes	no	active
	Malava	Restaurant	yes	no	active
	Webuye	Petty Trader	yes	no	inactive
	Misikhu	Petty Trader	yes	no	inactive
	"	Petty Trader (woman)	yes	yes	active
	"	Misikhu Market Committee (assisted under RMLS)	yes	yes	active
Mar. 11	Siaya	Tiger shoes (owner)	yes	no	active
	"	Nyandiwa Vegetable Growers	yes	no	active
	"	Siaya Traders' Cooperative	yes	no	active
	Yala	Petty Trader/Tailor	yes	no	active
	"	Shoemaker/Repair	yes	no	active
	Luanda	Bakery	yes	no	active
	"	Luanda Market Committee (assisted under RMLS)	yes	yes	inactive
Mar. 16	Nyeri	Metalwork	yes	no	active
	"	General Store (petty trade)	yes	yes**	active
	"	[illegible]	yes	yes***	active
	Kiganjo	General Store (woman)	yes	no	active
	Karatina	Furniture Maker	yes	no	active
	"	General Store	yes	no	active

Total Individuals/Groups Interviewed: 35

*Loan under Trade Development Joint Board

**Loan under Industrial and Commercial Development Corporation (ICDC)

***Loan application to Kenya Industrial Estates (K.I.E.)

4.8 General Conclusions from Field Interviews

Two general observations may be drawn from the open-ended interviews conducted by the two evaluators concerning REES project activities. The first has to do with the extension services as they were functioning at the time of the evaluation. The second concerns client comments regarding credit assistance.

4.8.1 Management assistance. Virtually all the clients and client groups (active and inactive) considered the accounting and bookkeeping assistance provided by PfP field consultants to be helpful. Most expressed the desire to have more assistance. Many clients interviewed stated that visits from consultants were irregular, that they had been more frequent in the past. At the time of the evaluation the PfP staff had decided upon the closing of PfP offices from which consultants operated. Clients tended to see this step as lessening the PfP commitment to serve them. They saw the offices as symbolic of PfP presence in their villages. It is clear from discussions with senior staff that management decisions were being taken for cost effectiveness reasons owing to the shortage of operating funds. Furthermore, field consultants were being urged to spend more time on community development efforts which meant less time available for REES extension services per se.

4.8.2 Credit Assistance. At the time of the evaluation, the decision had already been taken by shareholders of WKPI to liquidate the company that had been in the business of granting loans to PfP clients, (Report by John Metet to PfP Acting Regional Manager, dated February 9, 1981). The report indicated that all RMLS committees had been suspended except two (Hamisi and Misikhu markets) where repayment of loans still continued. In effect, PfP/Kenya was no longer in the credit loan business. Nevertheless, credit assistance continued to be the subject of considerable attention among PfP clients. Some clients were being assisted by PfP in filing loan applications to various government lending agencies (see notations accompanying list of clients interviewed). Nearly all clients claimed the need for credit assistance, even those who had already received loans.

IV. EXTERNAL FACTORS

5.0 Factors External to PfP/Kenya

In its inception PfP/Kenya was defined mainly, though not exclusively, by those interested in serving small businesses in Western Kenya. By 1980, PfP/Kenya was becoming a national organization whose stated objective was to serve community development goals. The following factors have been significant in PfP/Kenya's institutional development.

5.1 Partnership with PfP/USA. Initially, PfP/USA and PfP/Kenya were indistinguishable. It was less a "partnership" than the relationship of parent to child. In the course of time PfP/Kenya has become increasingly Kenyanized and concerned to establish its identity as a national organization. In one notable area, that of fund-raising, PfP/Kenya has begun to approach funding agencies directly rather than relying upon PfP/USA entirely. The PfP/Kenya Board, however, has yet to put its stamp of legitimacy on a range of policy matters. (This may have begun to change with the Board meeting scheduled at the end of March following the evaluation.)

5.2 Relations with Government of Kenya. This is the single most important factor likely to determine PfP/Kenya's identity in the future. While PfP has recognized the importance of establishing a formal relationship with the government, the nature of that relationship was still pending at the time of the evaluation. It is clear from discussions with PfP Board members and government officials that there is mutual interest in defining the role of PfP in Kenya's development. It is generally agreed that government financing of PfP extension activities through an existing agency such as Kenya Industrial Estates would not lead to undue government control over PfP operations.

In one important respect, expansion beyond Western Kenya, PfP has already responded to government concern that it prove itself to be a truly national rather than local organization.

V. INPUTS

6.0 Inputs into the REES Project

The inputs into the REES project may be divided into two general categories: financial and staff/management resources.

6.1 Financial. During the early days of PfP operations in Kenya financial assistance came primarily from private church-related contributions. Early clients tended to be church affiliated individuals and groups. USAID contributions to PfP operations began with a grant of $40,000 to the Vihiga project as part of the Special Rural Development Program in 1974. As the REES OPG became effective in 1977, there was a shift toward public funding (mainly PACT and USAID) and a corresponding decline in the relative importance of church-related funding.

Even before the end of the REES grant period efforts were under way to secure alternative sources of funding. During 1980 PfP/Kenya faced a severe crisis in sustaining its on-going administrative costs as well as program activities. The General Manager, Charles Khaminwa, was forced to devote nearly all of his time to proposal writing and fund-raising activities. During the six-month period of the extension of the REES grant, from January to June 1980, the USAID contribution amounted to $20,239.00 while the PACT share was $67,968.00. These two sources accounted for over 90% of all funding for the period.

It is now clear that PfP is fully committed to seeking recognition and financial support from the government of Kenya, particularly the Ministry of Commerce and Industry. According to Mr. Japheth Shamalla, Permanent Secretary in the Ministry of Works (formerly Commerce and Industry), when funds do become available to PfP they will be substantial (interview with evaluation team March 17). Mr. Shamalla, who also serves as a PfP Board member, observes that funds for PfP will be "earmarked" in the budget (under KIE, for example) rather than being "aided" funds.

The concerted efforts of the General Manager and the PfP staff in proposal writing and fund-raising had begun to bear fruit by the time of the evaluation. Two grants, one from the Ford Foundation and the other from USAID - both for $125,000.00 - were in hand. These funds will enable PfP to expand its efforts in law and women in development. Already new staff members were being hired for these new projects. A check from the Canadian government for Kshs. 102,000/ was presented to PfP in March to assist the Nyandiwa vegetable growers group at Siaya. Each of these contributions implies a shift in focus of PfP activities away from the traditional extension service to individual entrepreneurs toward community development oriented activities.

6.2 Management/human resources. PfP/Kenya experienced rather acute management and administrative problems attendant upon the Kenyanization of its staff during the early stages of the grant period. It appears that the difficulties involved personality differences between senior expatriate staff and Kenya staff. Yet the resulting localization of the staff does not seem to have left a legacy of anti-expatriate sentiment. Both Board members and staff expressed strong interest in maintaining a partnership relation with PfP/USA. By mid 1979, the last expatriate operations manager departed from PfP/Kenya. Since that time the entire senior management have been Kenya nationals, with expatriates serving as project consultants.

The grant period was characterized by poorly defined organizational structures and job definitions. This resulted in uncertain leadership and confusion among the staff as to their work roles. At the time of the evaluation there remained considerable confusion in the minds of staff personnel as to their exact roles. This was due in part to the new directions which urged increased activity in community development and de-emphasized traditional extension work. It was due also to the fact that both the general manager and administrative manager were living in Nairobi, immersed in fund-raising efforts and away from the day to day problems of project implementation.

VI.. OUTPUTS

7.0 OPG Benchmarks for the REES Project

The REES OPG indicated that the project would be evaluated based upon the performance indicators included in the document. Data was to be derived from the project's own data collection system. The evaluation team was given access to USAID/Nairobi files on the REES project, including the quarterly reports as well as an annual report for 1977-78 and a semi-annual report for January-June 1980. The benchmarks used in the reports corresponded generally with the categories of information requested in the OPG, although precise definitions of indicators are lacking. Sometimes total figures are presented where percentages were requested. We present here the figures for the last quarterly report available, dated January 30, 1980, and our general conclusion as to whether the stated output had been achieved at that time.

7.1 Benchmark 1: Total clients trained: 50 per consultant per year

The report states that a total of 1,019 clients had been trained as compared with a target for the quarter of 1,840. No indication is given as to number of clients per consultant or the number of consultants. The explanation as to why this target had not been reached was that "old sectors are becoming saturated, resulting in a lower rate of picking new clients." With the opening up of a new area of operation in Nyeri at the end of 1979, PfP anticipated that progress in this respect would be achieved.

The evaluation team concludes that this is not a reliable indicator since information concerning number of consultants is missing. During interviews it was determined that PfP has maintained an average of about 20 field consultants at any given time, and that each of them handles from 10 to 25 clients. Most important, however, is the fact

that the definition of "trained" is not clear, either in the OPG document itself or in the minds of the consultants charged with doing the training.

7.2 Benchmark 2: Percentage of clients retained for 12 months as share of total clients trained: 33% by end of project

The report does not contain a corresponding category of information for this benchmark.

Benchmark 3: Percentage of clients trained as share of total business "pool" in operating areas: 40% by end of project

The report indicates that 25.8% of clients trained as share of sector business pool had been achieved, compared with a target of 25% for this reporting period. The target figure would appear to be at odds with that suggested in the OPG (40%) however. In order to evaluate this indicator properly it would be necessary to know what was meant by "sector business pool" and to have figures on the total number of businesses in each of them. The OPG mentions a total of 7,000 businsses in the Western Province in 1976. The semi-annual report of January-June 1980 reports that PfP had assisted a total of 867 business persons since 1976.

7.4 Benchmark 4: Client improvement average (gradings of competent or action-completed per month) based upon a 40-item client improvement record per month: 2 by end of project

This benchmark was calculated on results of clients' performance sheets maintained by each field consultant. The January-June 1980 report shows that the ratio achieved was 1.3, compared with a target of 1.84. This falls short of the anticipated 2.0 by end of project. It should be noted that this instrument for evaluation was highly subjective, relying as it did upon the individual consultant's assessment of client progress. When asked about the usefulness of the form, most field consultants considered it a chore with little practical relevance.

7.5 Benchmark 5: Average number of months clients are active: 12 by end of project

The report contains no category of information corresponding to this benchmark. It was, however, clear from field consultant interviews that the question as to the cost-effectiveness of retaining clients over a long period of time has been debated for some time. Some clients continue to receive occasional visits from field consultants long after they have undergone the initial period of training. Again, the definition of what constitutes a "trained" client is unresolved.

7.6 Benchmark 6: Project cost per consulting hour: $6.00 by end of project

Information on this benchmark is somewhat confusing. The quarterly reports regularly indicated that this fugure was below (that is to say within) the end of project target, except for the January 1980 report period when it reached $6.35 per consulting hour. The explanation for this increase was due to "deployment of new consultants in the field... who have not been able to build enough client load to the fully engaged." Both the Ewing report and the semi-annual report for January-June 1980, however, report a cost per consulting hour of $7.00.

7.7 Benchmark 7: Net employment added to client enterprises during the project: 1 person per every 3 clients retained for 12 months or more

The report provides only total employment figures without indicating number per client. The total given for the last quarter of 1979 was 379, compared with a target of 300, thus indicating achievement of this objective. It was explained in the report that this employment generation was due in large part to the recent emphasis on manufacturing clients which tended to create more jobs than petty trader clients.

7.8 Benchmark 8: Client average monthly sales: $3,000 by end of project

As of the last quarterly report, the client average monthly sales had reached $2,162, up from only $1,780 in the previous quarter. Still,

this figure was far short of the anticipated end of project target. It would seem that the benchmark stated in the OPG was unrealistic for the average business in the Western Region. With the addition of the new operational region of Nyeri at the end of 1979, however, PfP could anticipate a dramatic increase in this average since many clients in that region are well above $3,000 in monthly sales.

7.9 Benchmark 9: Client average monthly net profit: $500 by end of project

The report shows that the average monthly net profit reached $285 compared with $185 for the previous quarter, a very substantial rise. Nevertheless, this was well below the anticipated $500 at the end of project. Quarterly reports show a generally upward trend in average monthly net profit, however.

7.10 Benchmark 10: Client average re-invested profits: 50% of annual net profits

The report again provides only gross figures without indicating percentage of total profits: 230 for the last quarter of 1979 compared with only 109 for the previous quarter. Once again, the indicator is not reliable. The evaluation team would, however, like to note that this measure of business "success" is subject to cultural interpretation. Many "successful" business people in the PfP project area are likely to invest profits in school fees and other family-related needs without recording these expenditures in their records. This practice has been mentioned in PfP's internal reports and evaluations.

8.0 Indicators of REES as Method of Training and Replication

The OPG further stated that the REES should be evaluated on its performance as a unique method for skills training for both field consultants and clients. Measures of this achievement are as follows:

8.1 To field train at least 20 Kenyan business consultants

While exact figures on this measure are not available, it is clear that many more than 20 field consultants have undergone training during

the three year grant period. At one time there were 25 field consultants who had been trained on the job. At the time of the evaluation there were still at least 15 field consultants at work. The OPG document obviously under-estimated the ability of the REES to train field consultants on the job.

Many PfP consultants began their training in accounting and business management at Friends College, Kaimosi and continued their training on the job with PfP. Occasionally training seminars for consultants were held to improve various aspects of their work. At the time of the evaluation the Malcolm Harper training manual was being revised for more practical use in client training.

8.2 To serve and train at least 50 business persons per year per field consultant

This measure is the same as benchmark one, already examined.

8.3 To expand the REES into two new operational areas

The definition of "operational area" is lacking here. PfP began its operations in the Western Province of Kenya, primarily in Kakamega District and eventually other districts within the province. By early 1980, PfP had expanded to three additional Provinces: Rift Valley, Nyanza, and Central. These provinces, however, do not correspond with project operational areas. PfP operations are now divided into Western Region and Central Region. In fact, the opening up of the Central Region office in Nyeri and the assignment of field consultants to that region marked an important breakthrough in PfP/Kenya's history.

8.4 To increase collaboration with other Government initiatives in small business

PfP field consultants have regularly assisted their clients in attempting to secure loans from existing institutions such as the Trade Development Joint Board and ICDC. They have also developed a working relationship with Kenya Industrial Estates which serves small-scale manufacturers. PfP has for a long time recognized the need to

develop closer ties with government institutions. PfP is in fact cited in the National Development Plan for 1979-1983. This issue was still the most important one facing PfP/Kenya in March 1981.

8.5 To collect client and control data sufficient for quarterly and annual assessment of program impact

Weaknesses in the data collection and analysis have been discussed in the previous section on OPG benchmarks. The evaluation team is of the opinion that the OPG document itself was lacking in adequate social soundness analysis and data base from which the benchmarks were derived. Much of the information being gathered by the field consultants appeared to be lacking in meaning either to clients or consultants. Even senior staff found the information largely irrelevant to project objectives, especially as they had been re-defined in early 1980.

As pointed out in the internal evaluation (Ewing report), it is extremely difficult to gather good financial data from clients with whom PfP has a working relationship, much less from non-clients. Data collection in general poses a problem of confidence since most people are reluctant to divulge information about personal finances. In the past, PfP field consultants have been tax agents in disguise. Only by working closely clients over a period of time is it possible to build their confidence in PfP. At the time of the evaluation the REES project did not have a data analyst as envisaged in the OPG. Frequent turn-overs in project personnel have meant that no single individual has been responsible for data collection or even report writing.

8.6 To prepare a comprehensive final report on all REES activities to include training, delivery of service, analysis and evaluation

The report for January-June 1980 come close to fulfilling this requirement although it is not comprehensive covering the whole grant period. The evaluation requested in the OPG, course, was postponed until March 1981 and is the document herein presented.

VII. PURPOSE

9.0 Statement of Purpose

The REES project purpose was stated in the OPG as follows: "To demonstrate an effective, efficient and replicable rural enterprise extension service that increases the managerial and technical ability of small-scale, rural enterprise owner/operators."

9.1 Output indicators as measures of achievement of purpose

The evaluation team feels that most of the benchmarks used to measure project output objectives, and thus to evaluate purpose, were unreliable and were not culturally specific to the project area. The indicators suffer from a lack of adequate baseline information from which they were derived. It appears that the benchmarks were arrived at outside the project area without intimate familiarity with the local culture. It should be noted that the quarterly reports do show a generally favorable trend toward achievement of output objectives. Much of the information being gathered, however, seemed not to have much relevance or meaning to field staff or management. Nearly all the indicators were lacking in clear definitions, especially such key terms as "trained" and "profit."

The REES extension service was in fact "replicated" when it was expanded from Western region to Central. It would have been helpful to have comparative information on these two regions, particularly indicators of monthly net profits, employment added, and monthly sales. On some measures PfP was clearly "successful": number of field consultants trained, collaboration with other government agencies, and expansion into new operational areas. It is hardly fair to compare the cost-effectiveness and impact of a project such as REES with that of other types of development projects, as was done in the DAI evaluation. The units of analysis are the rough equivalent of comparing "apples and horses", as PfP has pointed out.

9.2 Qualitative assessment of purpose achievement

As a prototype of assistance to small-scale business enterprise in the rural areas the REES project deserves special consideration. In an era when AID is spending large sums of money for projects in the formal sector aimed at integrated rural development, it is not at all clear that this approach is either cost-effective or necessarily more developmental than efforts in the private informal sector.

Based upon observations gained from field interviews with PfP staff and clients, the evaluation team concludes that REES services continue to be in great demand. Clients attest to the fact that their managerial and technical skills have improved with PfP assistance. In order for the purpose of REES to become more effective in the future, two important questions must be resolved:

9.2.1 Relationship of extension service to credit assistance. As one former client commented in reference to PfP assistance, consultant services alone without access to credit loans is like an "unfertilized egg." It is not argued here that PfP ought to become a loan agency. But the purpose of the REES project in the minds of PfP clients is directly linked to their aspirations of obtaining loan assistance in accordance with their improvement in managerial ability. Project design for future extension service projects must include a thorough assessment of existing credit facilities and proposals for providing revolving funds where those facilities are inadequate. This issue has received attention by scholars and government officials in Kenya. One student of small scale industry in Kenya cautions against too much emphasis on credit, however, (Child, IDS working paper No. 130, 1973). He contends that "...credit for establishment of a new enterprise is usually unnecessary; it is also usually undesirable." Child maintains that owners of small-scale enterprise must learn that a loan is not something "given" as a symbol of success. It is Child's view that existing commercial credit facilities are usually sufficient. Even the Rural Industrial Development Centers (RIDC's) set up by the government as small business extension service, says Child, should under no circumstances lend to their

clients. It diverts attention from their primary mission and sours relationships with clients.

9.2.2 Integration of PfP program activities with extension service.

Within the past year PfP/Kenya has embarked upon a new approach that was not anticipated in the REES OPG. It emphasizes working with productive enterprises rather than the traditional retail clients served by PfP originally. It emphasizes working with groups as well as individuals and aims at setting up a demonstration loan fund for group activities. It remains unclear how these activities are to be related to the extension service, whether they are to be discrete new projects or whether they are to be integrated into the existing extension service framework.

Equally important, there is r indication that the PfP/Kenya Board has embraced these new directions. Certainly these are ideas that have been around for some time and have been espoused by some members of the old Board. But the newly constituted Board has not articulated any policy statement as to the nature of the new directions.

VIII. GOAL

10.0 Statement of Goal

"The goal of PfP/Kenya in Western Province has been to improve the quality of life of poor Kenyans through the provision of appropriate management and technical enterprise development assistance."

10.1 Prospects for goal achievement

Measurement of project goal achievement is beyond the scope of this evaluation. We may, however, venture some general observations on the likelihood of goal achievement. Kenya in general, and the Western Province in particular, offers a very favorable climate for participatory development. Hilary Ng'weno, publisher of The Weekly Review (March 6, 1981) has commented that "in Kenya, unlike many other African countries, people talk relatively freely in public...We don't have informers in 'party cells' in every village and urban quarter reporting to Big Brother...More than many other African people, Kenyans are generally individualistic..." In terms of development, Kenya has a long tradition of Harambee - self help - that has meant that people at the village level do not wait for government officials to begin a project.

In contrast to many African countries that must import large quantities of foodstuffs, Kenya has managed to feed itself. The current shortages of maize and wheat flour, however, may portend a serious downturn in food production.

Social and political conditions affecting the quality of life in Kenya are generally positive. The Moi government, which came to power upon the death of Mzee Jomo Kenyatta in 1978, has embarked upon a program of combating smuggling and corruption. These practices reached serious proportions because of political instability in neighboring Uganda, especially in Western Province of Kenya. The Moi government appears to be committed to law and order and honest administration. It aims to see that the country's natural and human resources are equitably distributed among the provinces, not just in the prosperous Central Province.

Perhaps most important to PfP's objectives is the fact that there exists a positive official attitude toward private sector economic development. The PfP objective of teaching appropriate management skills has clearly taken root, and PfP is recognized as a pioneer in this field by Kenyan officials. Mention of PfP in the current National Development Plan 1979-1983 is an indication of official acknowledgement of PfP's relevance to development goals.

An impact study of PfP goal achievement would have to focus on those quality of life indicators relating to small-scale businesses: survival rate of new businesses, direct effect on basic human needs, efficiency of business skills utilized by PfP-trained clients. Regarding control group data, it must be reiterated that this is a most sensitive area. It is difficult enough to obtain reliable data from project clients who have confidence in their consultants, much less from those who have not benefitted from PfP services. They are naturally suspicious of questions concerning their sources of income and rate of profit. Baseline data surveys must be carried out after very careful education of the population as to the purpose of the study, preferably by those (nationals) familiar with the local culture and values.

IX. BENEFICIARIES

11. Definition of Beneficiary

The REES OPG stipulates under its section on special provisions that clients served by field consultants and technical specialists have assets of "at least $100 but not more than $50,000." Exceptions to this were to be approved by USAID/Kenya on a case-by-case basis. AID expected that PfP would concentrate activities on those clients within the lower range of eligible assets.

11.1 Observations on project beneficiaries. PfP has clearly stayed within the guidelines set out in the OPG, although there was no firm data on total assets of clients. Not only were all the clients interviewed by the evaluation team located in rural or semi-rural areas, nearly all were in the lower range of eligible assets. Most of the clients interviewed were sole owners of their business; several were run jointly by husband and wife or sons and daughters. The typical REES beneficiary is still a petty trader selling basic provisions such as soap, cooking oil, soft drinks, and tinned food. Some in this category, especially those in the Central Region, merit the term general store which implies a wider range of stock and greater assets. Other examples of retailers include shoe store owners/operators and hotel/restaurant owners.

A second category of REES clients are those in small-scale industry: metalwork, furniture building, and carpentry. Some of the clients interviewed in this group were serviced by PfP technical consultants as well as field consultants in cooperation with Kenya Industrial Estates (KIE). Some were involved in very innovative appropriate technology such as manufacturing of wheel chairs that could be sold far more cheaply than imported wheel chairs.

A third category of clients were client groups, not anticipated explicitly in the REES OPG. Some groups such as the Siaya Traders Association are comprised of successful individual traders. The PfP field

consultant is assisting the association in developing a traders' cooperative. The newest and most innovative client groups being reached by PfP are involved in agricultural production. The Nyandiwa vegetable growers in Siaya is the most notable example of this type. Assistance provided to them is less on the order of traditional business and accounting services than community development/fund-raising. The evaluation team also met with members of market committees such as the one at Luanda which has a long and colorful history of participation in PfP program activities. Currently the Luanda group does not have a resident field consultant and were recently informed of the decision to close the long dormant PfP office at the market. For the people of Luanda these were highly symbolic issues indicative of their continuing interest in PfP even after serious misunderstandings in the past. Another type of group formerly served by PfP under its self help program are women's societies such as Kaimosi Cottage Industries and Chango Women's Society. These groups no longer are assisted under the PfP program but are representative of the strong tradition of self help (Harambee) in Kenya.

As we have mentioned elsewhere in this evaluation, the question of what constitutes a trained PfP client is unclear to both consultants and clients. Some clients interviewed had a PfP history dating back five or six years. They continued to receive occasional visits from consultants. Some expressed a desire to have a certificate showing that they had "graduated" from the PfP program. Another area of confusion already mentioned previously has to do with credit. Most clients we talked with said they wanted to get a loan from PfP. Some had already received loans under RMLS while others had been assisted by consultants in obtaining credit assistance from existing agencies. The prevailing impression among clients, however, was that PfP itself was a loan agency.

11.2 PfP staff as beneficiaries. Certainly PfP staff, both consultants and management, are beneficiaries of the REES project. The field consultants typically have received some formal training in accounting before joining PfP and then have several months of on the job training

in the field. Some have resigned out of frustration or insecurity while others have "graduated" into better paying jobs in private industry or government.

The meeting held by the evaluation team with the staff in Kakamega on March 14 provided insight into the problems and frustrations of the senior staff. It had been planned that the general manager would come to Kakamega to attend this meeting but he was unable to do so. This set the stage for discussion of what appeared to be a major source of discontent: lack of communication between the Nairobi office and the field. After the evaluation team presented its initial conclusions on the strengths and weaknesses of the REES project, one staff member commented that "we have discussed all these things many times without resolving problems." It was pointed out that the general manager rarely comes to Kakamega and is not fully aware of the day-to-day problems of project implementation. It was further noted that efforts had been made to have the staff meet with the Board to clarify policy matters but to no avail. The staff was able to meet with the Board chairman but no results had been obtained.

The general manager was, however, held in high esteem for his efforts to resolve pressing problems of fund-raising. One staff member used an analogy from traditional life: you know that your father has gone out to hunt and you have confidence that he'll come home with meat. The basic problem for individual staff members remained the lack of certainty as to their job description. This in turn was linked to the uncertainty regarding the new program guidelines. These are issues that only the Board can resolve, as the general manager himself points out.

X. UNPLANNED EFFECTS

12.0 Unplanned Effects

The REES OPG anticipated a project aimed at providing business management assistance to individual small-scale entrepreneurs. It made implicit assumptions that lack of business skills was the major cause of business failure and that the individual rather than the group was the most appropriate target of assistance. These two assumptions have been called into question by PfP with the new guidelines established in early 1980. As a result, the evaluation team witnessed PfP in a period of transition away from the type of project described in the OPG.

The grant period was characterized primarily by the concentration of PfP activities on extension services under the REES and a corresponding decline in the other major project, the RMLS. The early period of PfP/Kenya's operations saw just the reverse: a loan scheme unaccompanied by loan criteria and terms of payment; lacking in managerial and bookkeeping services. Hence, by launching the extension service at a time when funds for the loan scheme were drying up, PfP created expectations for credit assistance that could not be met.

The new set of assumptions have had important implications for programming. All the fund-raising and proposal writing efforts in the past year have been aimed at expanding PfP's focus of activities away from the traditional petty trader client toward groups of clients: women, farmers, and craftsmen. Proposal writing has also been aimed at funding a new loan scheme (RMLS) on the assumption that credit is a critical factor in business start-up and development.

An effect that was planned but has not been effectively developed is a scheme for charging fees for consultant services to help defray project costs. Receipts from these services thus far have been extremely modest. Ideas for accountant and legal services are there but will require feasibility studies and planning.

XI. LESSONS LEARNED

13.0 Lessons Learned from the Evaluation

This evaluation has pointed up to the evaluation team an essential ingredient in the development process: communication. As a general proposition we may observe that the closer the PfP staff member is to the client's environment, the more effective the communication is between the two.

As evaluators, we feel strongly that this exercise was greatly enhanced by the presence of two different nationals, an American and a Kenyan, on the team together. We brought different backgrounds and experience to the evaluation process and were able to learn from each other. Together we were able to provide both familiarity with other development projects and intimate familiarity with the PfP project area and its target population.

Finally, it should be noted that this evaluation was carried out under most cordial and supportive conditions owing to the goodwill and hospitality of both USAID officials and the PfP/Kenya staff.

APPENDIX

PfP/KENYA GOVERNING COUNCIL

1970*	1978**	1980***
Enock Imbuye Farmer, Endabags	Chairman Enock Imbuye	Chairman Enock Imbuye
Jonathan Yusufu Syeunda Markets Inspector, Busia	Vice Chairman Philemona Indire	Vice Chairman Philemona Indire
Herbert Asava Trader, Maragoli	Elijah Enane Chair, Management Committee	Elijah Enane Member
Marvin DeWayne Hoeksema Principal, Friends Bible Institute, Tiriki	Romanus Kigame Treasurer	Jonathan Syeunda Member
Enoch Irungu Director, West Kenya Road Works, Ltd., Kakamega	Jonathan Yusuf Syeunda Member	Philip Leakey, M.P. Member
Jonathan K. Mukoro Adult Education Officer, Kakamega	Zebedee Muchocho Member	Japheth Shamalla Member
Ezekiel N. Nyarangi District Commissioner, Kakamega	Arthur Litu Member	Isaac Lugonzo Member
	Mrs. Dorcas Luseno Member	Zebedee Muchocho Member
	William Mumbo Member	
	Charles Gikonyo Member	
	Noah Simiyu Member	
	Joseph Oyaro Member	
	Daudi Yuka Member	

*Original list of subscribers to PfP Memorandum of Association, dated November 19, 1970.

**Council Member list from PfP Annual Report 1977/78.

***Council Member list submitted to USAID/Nairobi, September 25, 1980.

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