

# TechnoServe

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## ENTERPRISE DEVELOPMENT IN AFRICA AND LATIN AMERICA: The Technoserve Experience

Occasional  
Papers in  
Enterprise  
Development

Technoserve aims to improve the long-term economic and social well-being of low-income people in developing countries by fostering the development of small and medium scale enterprises. Most of our work is in the rural agricultural sector of Africa and Latin America, where we provide technical and managerial training to the worker-owners of enterprises so that they can manage their own businesses. In addition, Technoserve tries to influence local policy-makers to make it easier for low-income people to run enterprises with a minimum of interference and constraints. Technoserve believes that successful community-based enterprises increase jobs, productivity, and income. These enterprises directly benefit the local community, promote self-reliance, and ultimately, contribute to the establishment of economic justice. In turn, the regional and national economies become stronger.

Technoserve is a private, non-sectarian, non-profit organization founded in 1968. Its funding comes from foundations, corporations, religious organizations, individuals, host-country institutions, international private voluntary organizations, various multilateral organizations, and the U.S. Agency for International Development.

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# TechnoServe

148 East Avenue • Norwalk, Connecticut 06851 • (203) 852-0377

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**ENTERPRISE DEVELOPMENT  
IN AFRICA AND LATIN AMERICA:  
The Technoserve Experience**

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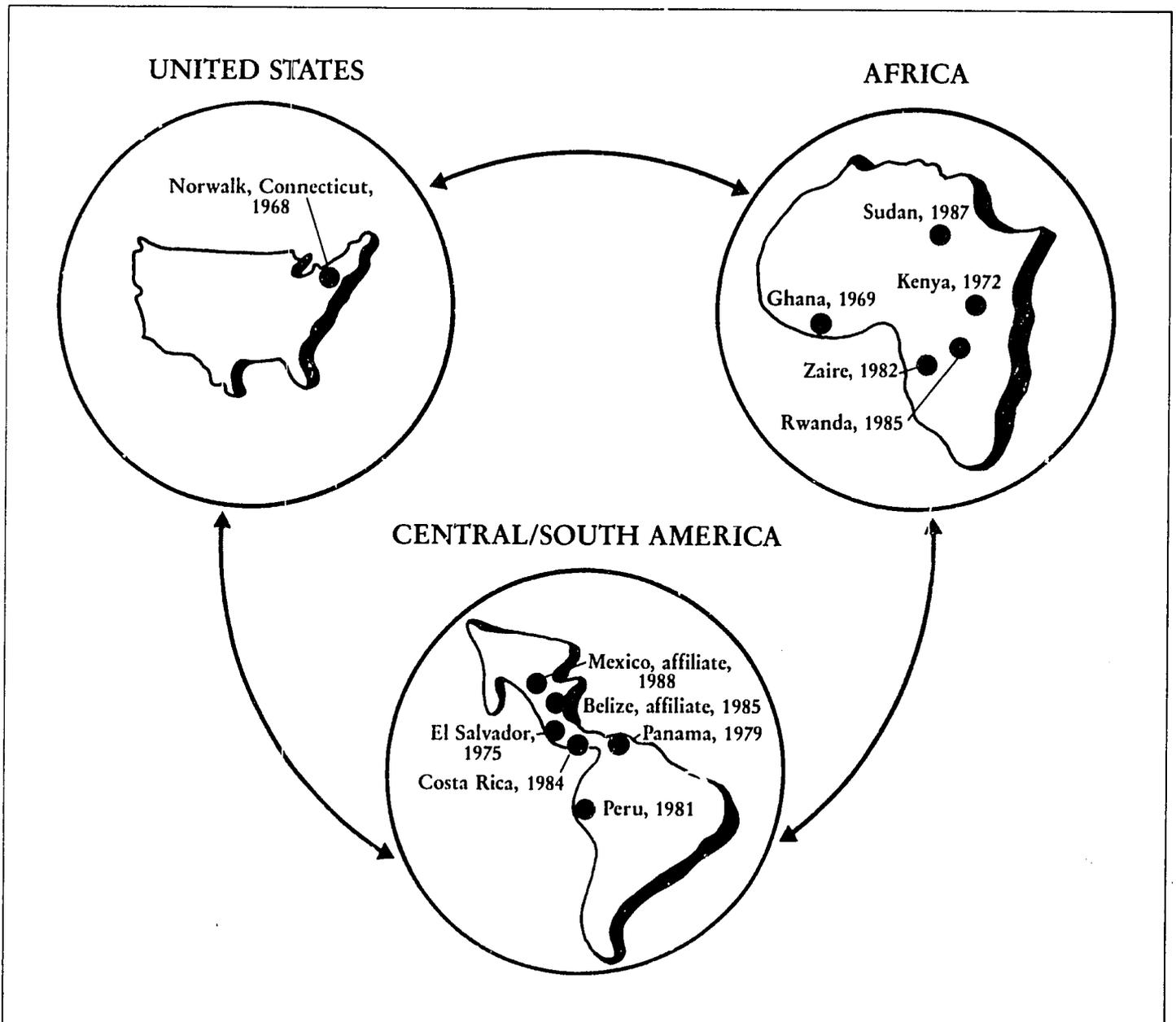
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## WHERE AND WHEN

Wherever Technoserve works, local full-time professional staff establish a program to meet the needs of enterprise development in that country. Program development and expansion are careful-

ly planned so that each country's program can, like the projects they assist, develop strong, independent management capabilities. Each country program designs its own strategic plan of

action according to the specific country needs, within the basic mission of Technoserve. Over time, program offices expand, mature, and become increasingly more autonomous.



## WHERE WE FIT

### International Development Assistance

The concept of one nation deliberately fostering the economic development of another through official aid on a widespread scale is a post-World War II phenomenon.\* It is closely tied to the emergence of the Third World, made up largely of nations that became independent after 1945 and other poor nations, most of which are in the southern hemisphere. Since World War II, about 125 nations have been included in the broad definition of the Third World.

Official Development Assistance (ODA) to the Third World has grown steadily since the 1940s. ODA is now carried out mainly by the 18 industrialized developed nations of the Development Assistance Committee of the OECD (the Organization for Economic Cooperation and Development, consisting of most nations of Western Europe, Japan, Australia, New Zea-

land, the U.S., and Canada). Eastern Europe, the Soviet Union, and the OPEC countries also provide some foreign aid to the Third World, but it is generally given as large money transfers or capital investment projects and does not involve private agencies as partners, nor does it have much to do with what the OECD countries would call 'grass-roots' development.

The theory and practice of development assistance have gone through several major changes since the late 1940s. In general, these changes occurred in three phases:

In phase I, during the 1950s and 1960s, the goal of ODA agencies was economic growth. Then, the most widely accepted premise was that growth would be fostered by capital formation, central planning, import-substitution led industrialization, and

trade protectionism. Most development theorists believed that the benefits of these policies would 'trickle down' to the poorest segments of the population.

In phase II, during the late 1960s and into the 1970s, the world's economy boomed, and concern shifted more directly to the poorest segments of Third World populations, to basic human needs, and to wealth redistribution.

#### Levels of Action and Kinds of Organizations

- **Multilateral Organizations:** These are international development agencies supported jointly by many governments—e.g., UNICEF, the World Bank, United Nations Development Programme.
- **Bilateral Organizations:** The government development agencies of individual countries—e.g., Canadian International Development Agency (CIDA), The Royal Norwegian Ministry of Development Cooperation, the United States Agency for International Development (USAID).
- **Non-Governmental Agencies (NGOs):** These are non-profit, private organizations, some with a religious affiliation—e.g., CARE, Save the Children, Oxfam, Catholic Relief Services, *Technoserve*.
- **Private Sector Companies:** For-profit companies, consultants and development agencies—e.g., Robert Nathan and Associates, A.D. Little.

#### Common Development Activities

- Population
- Health
- \* Agriculture & Rural Development
- Child Survival
- Energy
- Disaster Relief
- Migration and Refugee Assistance
- \* Small Enterprise Development
- \* *Technoserve's focus*

There was less faith in trickle down and in central economic planning, and less faith in foreign aid in general. Import-substitution based industrialization of the Third World gave way to a growing recognition of agriculture's importance in the economies of many Third World countries.

In phase III, from the late 1970s to the present, the volatility of the international economy has influenced development theory. The pay-back of the debt

\* Some might argue that colonialism can be said to be an earlier kind of official development intervention. By and large, though, the character of colonialism, its complex political economy, and the nature of the colony as a subject without independence, make the comparison very limited at best.

*Development advocates have become used to the following metaphor to explain the difference between development and relief:*

*"Give a man a fish and you feed him for a day, teach a man to fish and you feed him for a lifetime"*

*Now we are recognizing the great complexity of development work. Accordingly, an updating of the metaphor is in order:*

It is no longer enough to "teach a man to fish". First of all, we now see that the "man" is often a woman, and that she is likely to want more than just a lifetime of eating fish. We also often find that people already know how to fish. We are beginning to see the fisherman and woman dynamically and not just as picturesque but static fixtures standing happily at the waterside forever. Subsistence vs. starvation is no longer the issue. Rather, the issue is how we can best help people to control their own lives. The people of the Third World want to do more with fishing than just eat. They want the opportunity to increase their income to have more independence and security. In short, they want to have the same chances to improve their lives as people in the developed world enjoy.

burden looms large. Living standards in Africa and Latin America are falling, and the limited success and frequent failures of development have given rise to new concerns about project sustainability and better development management. A consensus has grown that economic reforms at the policy level are necessary to free-up markets. More emphasis is placed on the participation of people in development projects. There is widespread recognition that the state is only one of several key players in development, and that the private and non-profit sector can make significant contributions too. This recognition has led to an increasing emphasis on private enterprise in development. The long-term path to alleviate hunger, population growth, and environmental degradation is now seen as very much through the fostering of economic skills

and opportunities among poor people. This emphasis on economic empowerment is growing and is very likely to remain at the core of development thinking in the coming years.

Technoserve fits centrally in the current and future emphases. By concentrating on private agricultural enterprises for 20 years, we believe we are well-prepared to employ our knowledge for the benefit of many more low-income people.

## **Non Governmental Organizations (NGOs)**

A Non-Governmental Organization is a private organization. In the development field, the term NGO has come to refer to any non-profit organization which has a mission related to develop-

ment (often referred to in the United States as 'PVOs'—Private Voluntary Agencies). NGOs are supported by grants and donations and some have close religious affiliations.

Historically, U.S. NGOs emphasized relief. Dedicated volunteers helped people re-build lives destroyed by floods, earthquakes, famines, wars, and other disasters. During the 1960s, however, many NGOs began to consider the underlying problems which engender the need for emergency relief—political and economic injustice, constrained economic opportunity, poor health, illiteracy, bad sanitation, and population growth. Real solutions to these problems—*development*—require skills, approaches, and time frames which are significantly different from relief work. NGOs must concentrate on sustainable results—projects which can stand on their own *after* assistance is over. Now, NGOs place emphasis on technical skills, not just good hearts.

The NGO community among industrialized nations has grown rapidly, and today there are about 4000 NGOs working in development. But even more rapid growth has occurred in the Third World itself, where one of the major phenomena of the last 20 years is the rise of indigenous NGOs. Donors too, including many of the multilateral and bilateral development agencies and many large private foundations, have come to expect sustainable results from NGO assistance.

Technoserve is one of a handful of U.S. NGOs that focuses all of its work on enterprise development and one of the first NGOs to establish a policy analysis and research division, the purpose of which is to ensure that our work is of lasting (sustainable) benefit to Third World poor people.

## OUR PRINCIPLES

In assisting low income people in the Third World to improve and gain more control over their lives and to become more self-reliant, we think we do our work effectively to the extent that we pay attention to:

**1. Focus.** We think our effectiveness is enhanced by limiting the scope of our work. We focus primarily on rural, agriculturally-related projects in which we train groups of hardworking enterprise owners and operators. We also assist other organizations whose goal is to assist these types of projects. By recognizing what we can and cannot do given our resources, we can build on our strengths and seek partnerships with others to cover broader areas. Such a focus enables us to be cost-effective and thoughtful stewards of our limited resources.

**2. The Participation of the People.** Technoserve's projects should meet the actual needs of the intended beneficiaries of its programs. This means we have to understand those needs in all their complexity and gauge the commitment of participants (for example by charging fees for our service) working with us. Beneficiaries actively participate in the development process by identifying problems, proposing alternative solutions, and learning to make appropriate changes themselves.

**3. The Viability of the Enterprise.** Enterprises must have the potential to be economically viable if they are to survive. This generally means that their income should be greater than their expenses. If the enterprise cannot con-

tinue on its own after our assistance ends, then it is not viable. Enterprises cannot run at a loss for long without jeopardizing the stream of benefits to their workers or shareholders.

**4. Ensuring That Benefits Go to the Poor.** Traditionally, the poor have not benefitted from enterprise development because they have been mainly workers, not owners. Technoserve encourages groups of people to pool their skills and assets so that they can establish group-owned enterprises. Well-designed by-laws can ensure that the income benefits accrue to the poor member/owners who invested their time and money in the enterprise.

**5. Hiring the Right People.** We think our long-term effectiveness flows from a committed staff of people who have a strong stake in the goals of the organization. Ensuring this commitment requires careful attention to staff policies and investment in recruiting qualified local staff. They provide a depth of knowledge and continuity to make a program successful.

**6. Including "Marginalized" People.** We try to encourage the inclusion of marginalized groups such as women, ethnic or religious minorities, and the landless. By carefully designing enterprise by-laws to allow for cash or in-kind (one's labor) contributions to an enterprise, and by working to keep membership open to all members of the community who will abide by the rules, marginalized groups can be incorporated as members or owners of the enterprises we assist.

**7. A Systems Approach to Enterprise Development.** All enterprises exist within a system of suppliers, buyers, competitors, laws, and political structures. Enterprises owned by the Third World poor are often not well integrated into larger regional and national systems. For enterprise assistance to have significant impact, assisting organizations need to do more than help poor people increase income and productivity. We need to devise strategies which better articulate the systems in which these enterprises operate. Therefore to extend the effects of single enterprise projects at the grassroots, our systems approach often includes targeting institutions "at the top" to help change policies for an entire sector.

**8. Economies of Scale.** We try to focus on enterprises with sizes that result in the most income, productivity, and employment gains for low income member/employees. Very small, fragmented economic activities have limited impact, while very large ones can be unwieldy and difficult to manage.

**9. A Sensible Balance of Caution and Risk Taking.** Enterprises in developing countries, especially those owned by the poor, are even more risky undertakings than those in developed countries. For agriculturally related enterprises, unpredictable weather makes enterprise development even more uncertain. Agriculture-based enterprises in the countries where we work cannot spread risks among banks and insurance companies. Therefore, assistance organizations must take responsibility to approach enterprise development with

\* We try to articulate here some principles which guide our work. These should be distinguished from our beliefs—that is the assumptions we hold about the nature of things, which are often behind these principles.

knowledge, experience, and caution—to protect the vulnerable investments of the poor they assist.

**10.** *Opportunity Cost.* When we consider assistance to a new group, we ask what the opportunity cost of our assistance is. Given our staff and other resources in that country, could we achieve the same impact by any other means, by doing another project? Could we do more with those same resources over the same time and help more low-income people?

**11.** *What is Do-able.* Pragmatism is a guiding principle in our work. We ask the people we work with whether the economic activities they engage in have a market or potential market, and whether the system needed to support their activities over the long term is in place or is likely to evolve in the medium term. Likewise, we ask ourselves whether there is a match between our skills and the work we are asked to undertake, and if not, what the cost in time and money would be to acquire those skills. Finally, we look at each enterprise in its particular context, adapting our approach to what is necessary to make it become a lasting producer of benefits to its workers and shareholders.

## What We Believe About The World

- People are generally motivated by having a stake in their own activities, and when their rewards are proportional to their efforts.
- People seem to appreciate something more if they have to “pay” (however defined) for it. Giving things to people is not a good lasting solution to poverty.
- Even though defined and applied differently in different cultures, there seems to be universal appreciation of what can be called equitable treatment or fairness.
- There are limits to doing good. We can only help others if they are willing to make an effort on their own behalf.
- Generally, it is hard to get people to listen if you tell them what is “good for them.”
- Lack of material resources is not the key problem for much of the Third World.
- History suggests that “development progress” is always unbalanced; some processes lead others, and the sequence may be different in different places.
- Population growth tends to slow down as people become better off economically.
- Most problems in the modern world are complex and interrelated. However, the general tendency of organizations and individuals is to see problems as isolated from one another. This is one of the main reasons for failure in development efforts.
- The world’s environmental problems are not likely to be solved independently of the interests of poor people. Success is possible if programs enhance both the environment *and* the economic status of the largest number of people.
- Free enterprise, market-oriented economies appear to result in faster, more long lasting economic growth than that achieved by other political systems.
- There are few, if any, quick fixes in development. Development takes time, generally more than we are prepared to acknowledge. Also, the more we expect, the more time it will take.
- We (private agencies, governments, religious institutions) cannot solve all problems at once.

## PROJECT DEVELOPMENT

### An example: Coopebrisas, Costa Rica

After years of trial and error, we have developed a process of enterprise assistance which enhances grassroots income growth in agriculturally-based rural economies. We work with community-based groups because groups are more likely to have the critical mass of assets and business skills that single small-farmers lack. The enterprise can take many forms, and range in size from as few as twenty-five to over one thousand farmers or workers.

#### Project Selection

Most Technoserve projects begin when an enterprise or group contacts our local field office. Groups usually contact Technoserve after hearing of us through other private and governmental development agencies, Technoserve Project Advisors, past clients, and in Africa, news announcements and publicity campaigns on radio and television.

A typical Technoserve "client" is Coopebrisas, a 275-member cattle and vegetable cooperative in Santa Rosa, Costa Rica. Coopebrisas provides groceries, agricultural implements, and veterinary supplies and drugs to farmers who had been paying very high prices for their supplies and receiving low prices for their crops. Members of Coopebrisas first came to Technoserve's field office in 1985, hoping to extend its services to include agricultural assistance for its members, particularly agricultural production extension work, marketing of members' produce, and fostering agro-industrial development, particularly of dairy products.

Among Technoserve's first priorities after meeting an enterprise's leadership is to conduct a preliminary 1-2 week study to determine a rough estimate of

whether it meets our minimum standards for assistance. These standards include whether the enterprise has appropriate local leadership, responds to the needs of low-income people, and whether it is economically viable, ecologically sound, and non-discriminatory. In a program where we concentrate on a particular commodity sector (rice, palm oil, cattle raising, dairy processing) we also determine how the enterprise requesting assistance fits into that sector.

A second, and equally important priority is to determine the enterprise owners' commitment to stated goals. In our experience, sustainable development comes from a long-term commitment on the part of both the development organization and the assisted group. It is surprisingly easy to neglect to properly research client commitments, and only later, when the project fails, realize that a group's commitment was only half-hearted. One of the best ways to determine an organization's commitment is to maintain a staff made up mostly (if not entirely) of highly-skilled local professionals familiar with their country's languages and culture. Specific methods of ensuring beneficiary commitment include surveys, formal government registration of the business, and setting tough targets of equity contributions. People willing to risk their own hard-earned savings are more likely to strive for success than people given grants.

Coopebrisas met these standards, so Technoserve and Coopebrisas' leaders jointly conducted a diagnostic study of the cooperative's strengths and weaknesses. The results of the 3-6 month diagnostic study showed that Coopebrisas' members had a strong commitment to continue to work together

(they had organized themselves into a cooperative in 1973), but they had only limited business management skills, and very little success. To improve Coopebrisas' profitability, the diagnostic study suggested that Coopebrisas needed to modify its administrative and marketing procedures, improve marketing of its dairy goods and produce, and add technical advances to improve farm productivity. After assessing Coopebrisas' problems with the cooperative's members, Coopebrisas' board of directors requested long-term assistance from Technoserve-Costa Rica.

In Africa, Technoserve's procedures differ slightly. Instead of a diagnostic study, Technoserve negotiates and signs a short-term (2-4 months duration) agreement—a letter or memo of understanding with the enterprise. This brief document outlines Technoserve's principles of operations and specifies the work to be performed in developing a second feasibility study, the Preliminary Project Report (PPR). The PPR is designed as a deeper look not only at the purely financial viability of the enterprise in question, but also social costs and benefits, fit with Technoserve's overall mission, and country-specific goals and objectives.

#### Implementation

With few exceptions, Technoserve does not give loans or grants to assisted clients. Rather, we help clients find supplementary capital in existing financial markets. In Coopebrisas' case, very little money was needed—most of it was loaned from the Costa Rican National Banking System (SNB), with some grants from the U.S. Agency for International Development. In areas where

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capital is not as readily available, we have begun to experiment with equity loans. Technoserve and Coopebrisas also worked closely with the Costa Rican Ministry of Agriculture to see how the cooperative's needs fit-in with the national development plan.

When any necessary capital is acquired, and the project design and plan are completed, Technoserve enters into a long-term (2-3 years) contractual agreement to provide management training assistance. Coopebrisas signed an initial 2-year contract in 1986, and a second 1-year contract in 1988, agreeing to pay a minimal fee. This fee, well below the real cost to Technoserve, is charged to underscore the professional relationship and to prepare the enterprise for the eventual need to pay for ongoing technical assistance. Technoserve, in turn, agreed to assist Coopebrisas to transfer the skills the cooperative needed to run its small business profitably.

It takes a long time for people to move from being landless peasant farmers to being knowledgeable and responsible owners of a significant enterprise. This is why the skills transfer process takes several years, and why we assign a Technoserve advisory team to directly implement the plans of the contract. We help to manage the marketing, accounting, personnel, and product-

design. Our team works closely with the enterprise to train its own management team so that they can assume responsibility as our assistance ends.

## Evaluation

An important element of Technoserve's enterprise development methodology is participative project evaluation. With Technoserve's assistance, each group evaluates the progress it made towards its goals. We act as a facilitator, but the enterprise determines the standards by which to judge the success or failure of the assistance we provided. This process takes several months, but it yields tremendous benefits both to the enterprise and to Technoserve. Project evaluation gives us project-based information that we can use to improve our methods and staff. More important for the assisted enterprise, project evaluation helps to illuminate the necessity of making informed decisions about the enterprise's shortcomings, successes, and future needs, after Technoserve has left.

## Monitoring

Once the successful transference of skills to local management is completed, the assisted enterprise often negoti-

ates a formal monitoring agreement with us. The agreement can include both regular and periodic *ad hoc* reviews and assistance to the enterprise. During this monitoring phase, increased emphasis is placed on longer-term management, enterprise leadership, and planning issues.

## Ensuring Success

No two Technoserve projects are exactly alike. Some of the steps taken with Coopebrisas were changed to meet local conditions and needs. Other projects require more active intervention or special technical assistance to succeed. Nonetheless, all Technoserve projects emphasize the same concern for participation and hard work. Indeed, the entire process takes a long-time. New skills must be taught, trust must be built, and ideas must be shared—Coopebrisas required more than 360 person-days of Technoserve assistance over three years. Yet, the effort spent assuring the commitment of the assisted group, and the time spent implementing the contract, are well worth it. Long-term, patient assistance almost always guarantees the transformation of a community-based business into a viable independent enterprise run by its own member-owners.

## PROJECT DEVELOPMENT

### How We Work





## THE VIABLE ENTERPRISE

### When we say "Enterprise" we mean "Business"

Until the 1970s, development theory did not pay much attention to the role of small business in economic growth. Now the economic power of small businesses has been recognized and has become a major interest of many agencies involved in development.

We think that a focus on business and the transference of the skills and knowledge associated with business are keys to economic advancement in the Third World. There are several reasons why:

By increasing the viability of businesses through improving management

skills and training managers to get more from scarce resources, not only can enterprises *run as businesses* grow to produce more benefits, but they will be better able to weather times of difficulty to survive in the long-run.

One of the most difficult problems in development is measuring the impact and judging the durability of projects. If a project has an economic basis, then it can be formed as a business. Once it achieves a certain size, it demands financial statements - ways to know the financial condition of the business and

understand its profitability. Through these universally accepted forms, information about the business is fed back to those who run it. They know how they are doing. Without the business framework, it is remarkably easy for those who engage in income producing activities and those who operate projects that have a financial component (e.g., a water project) to fool themselves about how they are doing. For example, since many Third World poor people keep no records, they mix enterprise money with household money. Thus, rent, utilities, and owners' labor are often not included as costs of the enterprise.

By concentrating on the business viability of the enterprise, we avoid the trap of assisting an enterprise which in the end cannot really grow. The forms used in business (financial records, variance analyses, business plans, profit and loss statements, and so forth) help us and our clients see these realities, ones which otherwise might be obscured.

An enterprise formed as a business forces a certain way of thinking on the part of the owners. To be successful, one must think about the future, gather and analyze information, motivate people, and make strategic decisions. These skills are more complex as the business grows and the market in which it operates become more complex. If alleviating poverty means integrating people into mainstream economies, and establishing greater interconnectedness with a wider world, the transformation of poor people's economic activities into well-run businesses is an effective means to this end.



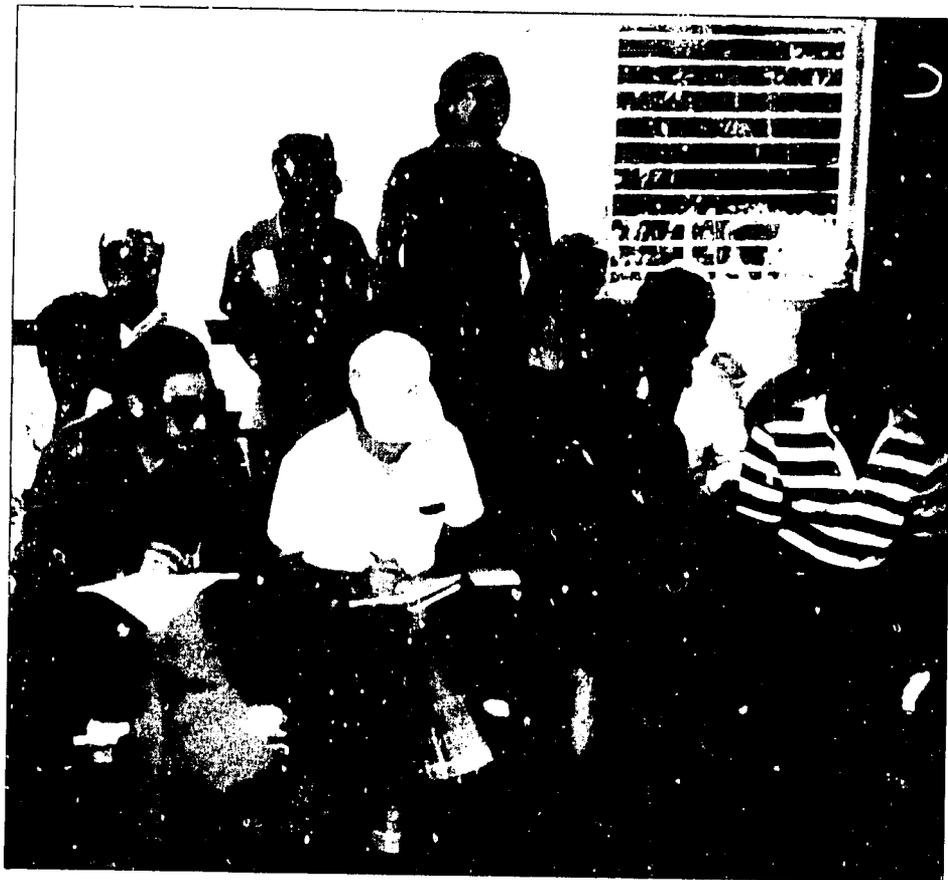
## LOCAL PARTICIPATION

The participation of the people which projects are intended to help has become a cardinal principle of development in the 1980s. It is striking to think that such an obvious point was apparently missed in earlier decades. Today, many development professionals attribute project failures to the lack of beneficiary contributions and suggestions during project planning and implementation. If beneficiaries are not consulted, they do not "buy-into" projects. And if beneficiaries do not "buy-into" projects, they do not care about the project's outcome.

We have learned over Technoserve's more than twenty years of experience that the practice of participation is more complex than its theory. Initially, we believed that participation could be insured simply by asking people what they needed and wanted. We soon learned otherwise. If our long-term goal is to integrate people into the larger economy, about which they know little, asking them what they want and need rarely reveals the best strategies or tactics for their enterprise activities.

For Technoserve, participation is an educational process. From the beginning of a project intervention, we try to get people to think about the implications of our assistance. A crucial step in this direction is our insistence that before we work with a business, the enterprise participants must give a concrete and demonstrable sign of their commitment to the effort. Most often, we ask that they put as much of their own equity (in cash or labor) as they can into the enterprise. We also let them know that fees will have to be negotiated.

To insure that people begin to think carefully about our assistance, we take time (as much as six months or a year) to develop their business analysis skills. If, for example, a group initially says that they want a new tractor, we begin a long-term dialogue about their need,



We ask a series of questions about the hidden costs of a tractor, and how they intend to share, maintain, own, and replace the tractor after its purchase. Through this dialogue they participate in a guided educational planning process that later becomes an integral part of the shift towards business thinking.

By asking people from the enterprise to help us design an evaluation tool, they establish their own criteria of what the project's goals should be. Through this method, they can decide whether the project should be measured solely in terms of income distribution, or whether it should include social benefits, such as number of houses built, children educated, or diets improved,

due to higher profits. Similarly, at the end of our intervention, the beneficiaries design and conduct the final evaluation to determine whether or not the goals they have set have been met.

While this seems a straightforward approach to participation, it is not perfect. In reality, even the most conscientious development organization is in danger of imposing its will, particularly when there is a clear gap between its technical skills and those of the assisted enterprise. Under these conditions, it is tempting to shortcut the participatory process. Just how this temptation can be avoided is hard to say . . . but we believe that acknowledging its possibility is an important first step.

## THE MACRO-ECONOMIC AND POLITICAL CONTEXT FOR OUR WORK

It has traditionally been easy for NGOs immersed in grassroots development work to underestimate the importance of the larger economic and political context of their work. To do so is perilous. Our good work can very easily be undermined or destroyed by policy at the top of political structures. If we hide our heads in the grassroots, we are unlikely to know what is going on around us, much less why.

Since Technoserve is engaged in agricultural economic activities and our goal is impact and long-term sustainability, we must know who is in power, who controls what, what the major policy-making institutions in a given sector of the economy are, and when these institutions and persons exercise their power. In short, we must know how the system works. If we don't know the pricing structures related to the commodities we work in, the constraints on imports or exports, the terms of trade, and local market conditions, we are not doing a responsible job of trying to help low-income farmers do more with what they have. There must be a sophisticated awareness of the interrelationships of grassroots activities with the larger environment. At the very least, NGOs must know how the national banking system works; understand the process that produces Government Five-Year Plans; be aware of the extent to which the Government is engaged in policy

dialogue with multilateral institutions; and have a feel for local historical trends and political tendencies.

To a certain extent, a broad understanding of the larger context can be gained from public sources, such as written documents and scholarly research. But to truly understand the subtleties and dynamics of macro-level

political and economic relationships, there is no substitute for a continuous presence in a country. One must keep broadly informed. Country program staff must spend time networking, travelling, and socializing to make sure that lines of communication remain open to a variety of people who know what is going on.

### The Nature of the Rural Third World Environment

- In most rural areas, agriculture is the only productive activity. In the poorest countries, little saleable surplus is produced because most farmers can only concentrate on subsistence.
- Rural agriculture is labor-intensive. Few farmers can afford the capital necessary to up-grade and improve their productive methods to make them more efficient.
- In many countries, inefficient and disinterested absentee landlords or government collectivization schemes own much of the best farmland. Theoretically, Third World farmland should produce much greater yields, but many rural people do not own the land they work on, nor do they have the access to needed resources of agricultural production, such as training, technology, or finance.
- Rural poverty often appears to be less severe than that found in cities, but the lack of infrastructure in rural areas often means that the rural poor suffer just as much, and often more, than their urban brethren.

## EXTENDING THE BENEFITS OF THE ENTERPRISE

*The ability of NGOs to work at grassroots levels is recognized. However, they cannot be expected to generate sustainable progress on alleviating poverty for large numbers of people.*

—OECD DAC Report, "Voluntary Aid for Development," 9/16/87

This widely held belief about the overall impact of NGOs is *the* challenge for Technoserve. However good our grassroots work is, what are its wider effects? Will our work make more than a dent in the enormous problems NGOs try to address? Is there any real POWER in it analogous to the physical principle of the lever and fulcrum through which force is modified and transmitted? We are evolving a strategy to extend the potential of the successful enterprise so that such impact will result.

The key is thinking about enterprises as part of a larger system and making some well-informed choices about where to intervene. We try to work with enterprises at the grassroots which are part of the same commodity sector (e.g. tea, palm oil, rice, livestock, fruit). Then we see these sectors as integrated vertically within a system, beginning with the smallest enterprises at the grassroots. A low-income farmer growing a hillside of tea in Kenya is seen as part of a commodity sector which runs



vertically from his small plot up through different levels of the economy (large tea estates, wholesalers, export agents, the national tea marketing board etc.) to the level of policy makers in the government whose decisions about taxes, pricing, export transactions and

other incentive structures ultimately effect many others in that sector up and down the line.

The "leveraging" effect (*next page*) starts from a thorough investigation of a region or country's economy and resources. The investigation reveals which sectors are a good fit with what Technoserve has to offer, and then shows where we can best intervene in the sector (e.g. transportation constraints, technical, organizational or credit constraints etc.) to produce a critical mass of solid viable enterprises, which in turn will stimulate the local economy, and ultimately provide a compendium of relevant data which will influence changes in policy towards that sector. Such a sector analysis approach can also be directed geographically at whole regions, with a strategy of enterprise placement within a region which will create demonstration effects and other kinds of regional impacts.

Over time, the experience and skills learned in the course of fostering enterprises in a given sector lead not only to widespread positive economic impact within the horizontal slice of the sector, but ultimately up to the policy level, where widespread change affecting large numbers of people can be instituted by changes in government structures, laws, or procedures.

## SECTOR STRATEGY FOR EXPANDING BENEFITS

TECHNOSERVE INPUT AND METHOD

OUTPUT PROCESS



- Humans are motivated by having a clear stake in their own activities, and the enterprise is a natural locus of such a stake.
- "Progress"/development is unbalanced; some processes lead others.
- Agricultural development usually precedes industrial development.
- Generally, very small fragmented economic activities have limited impact; very large activities can be difficult to manage.

## BUILDING INSTITUTIONAL RELATIONSHIPS

In addition to directly assisting community-based enterprises, Technoserve strengthens local institutions that benefit low-income people primarily related to agricultural enterprise development. We have formal and informal collaborative relationships with local women's groups, religious organizations, cooperative unions, local financial institutions, government ministries and departments, as well as indigenous and international non-governmental organizations. Through these relationships we share our enterprise development know-how with a broader audience, thus increasing the impact of our programs. We have relationships with institutions of two types:



**1. Contracts** to provide assistance to improve the efficiency and effectiveness of other institutions. For example, we assess institutional capabilities, help design, install, implement, and monitor general and financial accounting systems, and run seminars and workshops on appropriate topics in organizational development and management. Examples of such institutions include:

- Regional Agricultural Centers, Costa Rica
- Ministry of Agriculture, El Salvador
- Kenyan Water and Health Organization, Kenya
- Agricultural Bank of Peru
- Federation of Catholic Women, Panama
- Agricultural Development Bank, Panama
- Agricultural Bank of Sudan

- UCCEC, Savings & Credit Cooperative Union, Zaire
- SNHR, National Rural Water Service, Zaire

**2. Joint projects** with other non-governmental organizations which build on the expertise of all organizations involved through a division of labor and skill. Examples of such relationships include:

- Technoserve/Katalysis Foundation-/B.E.S.T (Belize Enterprise for Sustained Technology), Belize
- Technoserve/Foster Parents Plan, El Salvador

- Technoserve/FUSADES (National Development Foundation), El Salvador
- Technoserve/Ecumenical Cooperative Development Society, Ghana
- Technoserve/Global 2000, Ghana
- Technoserve/Appropriate Technology International, Kenya
- Technoserve/Undugu Society/Intermediary Technology Workshop/Shelter Afrique, Kenya
- Technoserve/Heifer Project International, Kenya
- Technoserve/Ecumenical Cooperative Development Society, Kenya
- Technoserve/United States Peace Corps, Rwanda
- Technoserve/Action Aid (UK), Sudan

## SPECIAL SITUATIONS

Technoserve's assistance and training have evolved to include a variety of unique services to meet local needs.

Groups sometimes come to Technoserve to request very specific assistance, training, or advice. The enterprise may be well-run, but it needs help to locate sources of equipment or start a particular component of a project. Alternatively, Technoserve or an enterprise may wish to understand each other better before making a long-term commitment, so they agree to a short-term direct intervention. In other cases, a *bona fide* enterprise may not exist where there is a need and potential. We undertake an entrepreneurial role by bringing several components of an enterprise together with an already existing group. Technoserve may also wish to combine its experience with the expertise of other PVOs so that a project can more fully meet its goals. Finally, our staff members may come across a group project that is out of our ordinary rural focus. In all of these cases, Technoserve's traditional assistance skills are adapted where appropriate.

The following are examples of some of the ways we adapt our traditional services to specific local demands:

### Business Advisory Services (BAS)

Among Technoserve's best established adaptations of our traditional assistance skills are Business Advisory Services (BAS). Founded in 1979 in Ghana, and now in several of our country programs, BAS allows Technoserve staff to assist the short-term needs of local small businesses, private voluntary organizations, or individual entrepreneurs. Typical examples of BAS assistance include designing an enterprise's chart of accounts or a basic bookkeeping system; determining the specifica-

tions and location of an irrigation pump; and assisting in the design of a poultry breeding program. Occasionally, short-term studies are undertaken, such as a market assessment for a group's new product. Most BAS services require less than 10 days in any given month, and a single BAS intervention or sub-project usually requires no more than 40 to 50 days of total assistance.

### Community Enterprise and Promotion Service (CEPIS)

We feel that many opportunities for starting new businesses in the Third World are missed. This is especially true in Africa, where sometimes even the most rudimentary elements of a business infrastructure are absent. Typical barriers to enterprise development include the shortage of management skills, poor knowledge of appropriate technologies, and above all, a lack of financing. Occasionally, excessive governmental interference further impedes project implementation.

To overcome these problems, Technoserve developed the Community Enterprise and Promotion Service (CEPIS). Technoserve offers its usual range of management assistance, but in contrast to normal Technoserve projects where we help groups find funding via existing institutions, CEPIS offers venture capital by investing directly in small enterprises with loans and equity shares. In addition, CEPIS aggressively promotes businesses by identifying opportunities for partnerships with grassroots community groups to develop viable enterprises. Technoserve exercises more control than it would in non-CEPIS interventions, but once the enterprise is successfully "on its feet," Technoserve divests its control and

ownership to the original grassroots organization.

In Kenya, CEPIS-sponsored cultured milk processing enterprises absorb local milk production in excess of the available market demand. In Ghana, CEPIS helps palm-oil extraction enterprises meet a local small-farmer need for a dependable market for their palm nut production. In both cases, Technoserve identified and adapted locally available appropriate small-scale processing technologies to meet local needs. And, also in both cases, the potential for replication is great.

### Ngorika Water Project, Nyandarua, Kenya

U.S. government studies reveal that 70% of community water projects fail within 3 years of implementation. Most of these failures are due to: poor planning and design; faulty installation; over-sophistication; lack of financial control; and most important, an absence of an organizational structure and maintenance expertise to enable the project to function after the advisors have left.

We have experience in irrigated agriculture where managing water is necessary to success. Working in community water projects was therefore not a big leap for us, especially as we came to see that they too are agriculturally related. Technoserve concluded that we could apply enterprise development methods to the creation of water systems and community-owned water utilities. Technoserve worked with the people of Nyandarua, Kenya to build a water system built on appropriate technology and sound business and organizational practices. To the 1080 families of Nyandarua access to piped, clean water will mean improved livestock productivity, widespread backyard vegetable grow-

ing (from household run-off), and increased productivity for agricultural workers (particularly women who will spend less time hauling water from streams and wells).

## Humama Resettlement Group

Ordinarily, Technoserve does not work in urban areas. In Nairobi, Kenya, Technoserve is working closely with three groups, Shelter Afrique, the Undugu Society, and the Intermediate Technology Workshop, to help a group of women, many of them former prostitutes, to construct houses from the profits of a roofing-tile business. By assisting the Humama Resettlement Group, we seem to be departing from our rural emphasis. But Humama is very much in line with most of our emphases and capacities. The women we assist are desperately poor. They lack the same skills that we teach to rural Kenyans. And despite the complexity of our shared assistance, we are true to our comparative advantage. Each organization is helping the Humama Resettlement Group by specializing in what it does best—whether that is social rehabilitation, housing design, technical advice, or, in the case of Technoserve, business management assistance.

## Learning From Our Work

Technoserve's determination to achieve greater impact led us to establish a research, replication, and policy analysis department in 1984.

Creating a policy analysis department was a first not only for Technoserve, but for NGOs in general. NGOs are usually action-oriented and have not, until recently, put much effort into what the corporate world knows as research and development (R & D). NGOs rarely reflect upon or research their projects. Most of us tend to explain this lack of reflection as a function of the urgency of our work and the limitations of our budgets. Technoserve is similarly constrained, but we also believe that a formal, internal "R & D" type of capacity helps us to help more people in the long-run.

Technoserve's research, replication, and policy analysis department (R & PA) has several mandates. The first is to analyze the larger environment in which the organization operates. This includes analyzing and evaluating our projects, our organization, other projects and organizations in our industry, and the enterprise policy environment in the development community.

A second mandate is to create a link between Technoserve's field practice (which our R & PA department sees as a laboratory) and the rapidly growing body of development theory. We stay abreast of new ideas in such fields as development economics, sociology, political science, and cultural and area studies. We use this study as a bridge to our field work. Optimally, our study of current theory shapes our field work and, in turn, our research on our project results helps to shape development theory. We publish the results of our research and analysis.

A third mandate is development education. We have an obligation to disseminate what we know and to educate others so that they can learn from our failures and successes. Our R&PA Department produces position papers, case studies, case histories and studies of economic sectors which we distribute to students and academics in universities, and our colleagues in this field.

A fourth and final mandate is directed towards Technoserve. R&PA provides internal feedback to the organization itself, both at our headquarters, and between field programs.

## HOW WE MANAGE OUR FUNDS

Technoserve is a non-profit organization with a social mission. Until very recently, it was common for such organizations to do little financial analysis and reporting other than to offer the obligatory statements of income and expenses, and assets and liabilities, for their annual reports. Well-wrought financial management systems had an unglamorous image, and were seen as detracting from the more serious and pressing work at the grassroots. Technoserve has always taken a very different view.

Because our business is business, we try to run our own organization in a business-like manner. Besides keeping records on general expenses, each Technoserve project is analyzed for its efficiency in delivering resources to beneficiaries. We use a variety of functional expense matrices, job costs, and source-use systems to indicate changes in performance, quantify project costs and

benefits, and permit comparisons with other NGOs.

We record and compare each hour of Technoserve's project assistance. Are we helping farmers and workers as efficiently in Latin America as we are in our projects in Africa? Are we helping them as well as we did last year? Can we do more next year? In our Norwalk office we ask: How much money does it

take us to assist a person or a project? What is the "return" on our fund-raising "investment"? Are we lagging behind the standard for NGOs whose work is similar to ours, or are we setting a standard? Unlike the community-based enterprises we assist, we do not set out to make a profit. But we do intend to do our job as efficiently and inexpensively as we possibly can.

**FUNCTIONAL EXPENSE MATRIX**—Tells for what function project and administrative monies are spent (salaries, office, travel).

**SOURCE-USE SYSTEM**—Tells where money comes from and where it goes (donors, and country or project).

**JOB COST**—Describes an individual project's cost to Technoserve in person-hours and expenses.



## DETERMINING THE COST-EFFECTIVENESS OF OUR WORK

Many people in development work think that measuring the number of dollars spent, bricks delivered, bridges built, clinics constructed, babies weighed, or training hours invested, is a sufficiently good way to estimate the effectiveness of a development project. In a business with social goals, it is hard to measure effectiveness. But we must try. If we don't, and continue to measure "inputs" as if they were indicators of "outputs", we will come pretty close to repeating the old line about how the operation was a success but the patient died.

Technoserve needs to know not only what the immediate impact of our work is, but also what the ultimate benefits to those people we work with are likely to be over time. Therefore, we have developed and copyrighted our own cost-

effectiveness methodology.

The two-part format we use incorporated both quantifiable and non-quantifiable project benefits (See sample below).

Several principles were important in developing our method:

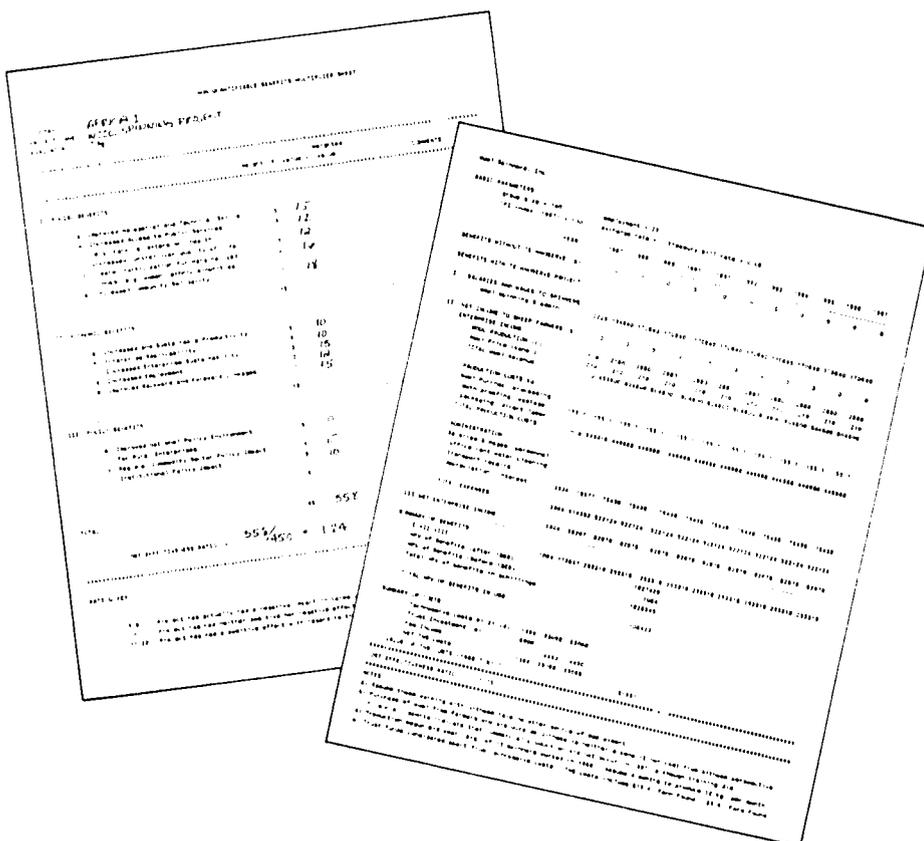
1. A sustainable enterprise should continue to exist and meet its costs after assistance has ended. Our time frame of analysis is therefore ten years after assistance has ended.
2. Given that enterprises survive in an economic world, we include financial analysis of their benefits. There are easily quantifiable aspects of enterprise development which should be counted,

but there are also limits to what an organization should consider as benefits from its work. We therefore focused the analysis on the financial benefits directly and indirectly derived by project beneficiaries.

3. The social goals behind our enterprise assistance are equally important to track. However, because they are not easily quantifiable, we chose not to mix them in with our carefully measured financial benefits. We use a rating sheet which allows each country program to adapt to local needs in setting priorities, and allows participation at various levels in the evaluation process. This part of the analysis is also helpful in providing management feedback.

4. We keep in mind the sophisticated existing body of knowledge about cost-benefit measurement, while making our method simple enough for measures to be tracked entirely in the field. We spent several months researching available methods at major universities and development banks and testing various methods. Our analysis is informed by our research and incorporates such basic principles as time value of money, opportunity cost, inflation, and currency exchange fluctuations. These variables are built into the analysis and do not require our field officers to have in-depth knowledge of complex analytical techniques to use the system.

The process of developing a model and analyzing the cost-effectiveness of our projects has been enlightening for Technoserve. The process allows us to improve our services by focusing our benefits, serving as a staff training tool, and providing important data and documentation to respond to donor concerns about use of their contributions.



## ANSWERS TO FREQUENTLY ASKED QUESTIONS ABOUT TECHNOSEERVE

*Q: What does Technoserve do?*

*A:* Technoserve mainly helps rural low-income people to start, own, and operate their own agriculturally related business enterprises. The businesses then generate jobs and income, and often provide a means to increase food production for the people associated with them.

*Q: Why does Technoserve focus on enterprise development?*

*A:* Enterprise is not new to the Third World. What people need is help to organize and use available resources as required by modern economies. Enterprise development is one of the most effective ways to provide sustainable increases in the standard of living of low-income people in the Third World.

*Q: Why does Technoserve concentrate on enterprises located in rural areas?*

*A:* Development of the agricultural sector is vitally important to most Third World countries. Also, agriculture can be developed with minimal dependence on external resources. Finally, neglect of rural areas has stifled agriculture and encouraged massive migration to cities, contributing to economic, social, and food distribution problems.

*Q: Why does Technoserve work with group-owned "community-based" enterprises?*

*A:* As is true in rural areas all over the world, people need to work together to survive where few services are provided. Community-based enterprises are jointly owned and run by members of the poor communities they serve. To-

gether, members can combine more resources and can gain access to more services than they could individually. Our work helps to build and strengthen groups and institutions which can continue to provide benefits long after we are gone. This provides a more solid foundation for a nation's development than help to individuals might. In other words, through groups, there is "more bang for the buck."

*Q: When you say you work with enterprises of significant scale or medium size, does that mean some participants are middle income?*

*A:* No. Technoserve's beneficiaries have very low incomes. The scale of the enterprise has little to do with the relative income of the members or shareholders. Many of the enterprises we work with are quite small (twenty-five member-owners). We believe that middle-sized groups (up to one thousand or more member-owners) give poor people more chances to amass a sufficient amount of resources to sustain a viable business.

*Q: How does Technoserve determine what assistance or education is needed?*

*A:* The first answer is that we do careful "homework"—feasibility studies, sector analyses, and diagnoses of the individual enterprises. Technoserve provides participative training in basic business principles and managerial, organizational and technical assistance to the enterprises and institutions we assist. We tailor our assistance to the needs of the enterprise, plan along with the owner/members, and teach those who have been chosen to assume management roles in on-the-job training sessions. They, in turn, train other members in the same skills.

*Q: What does Technoserve look for in a good project?*

*A:* Technoserve looks for projects which are potentially viable in their surroundings. We test this potential by realistically reviewing the availability of water, markets, services, roads, parts, etc., and teach others to do the same. The most important element of a good project, however, is the commitment of the owners. This too is tested.

*Q: Why are Technoserve's field staff members almost exclusively citizens of the developing countries in which you work?*

*A:* Technoserve hires experienced local professionals and trains them to manage projects in their own countries. They know more about the local environment and have a long-term stake in furthering their country's development. Building local capacity for people to help themselves is Technoserve's ultimate goal.

*Q: There is much talk today about "micro-enterprises". What are they?*

*A:* Micro-enterprises have a variety of definitions, but they are typically understood to be unregistered ("informal sector") businesses with fewer than ten employees. Some organizations also consider asset levels of under US\$5,000 to US\$25,000 a criterion. Micro-enterprises are usually owned by one person. Other persons working for a micro-enterprise have no more say in how the enterprise is run than employees in traditional businesses. Also, because micro-enterprises are informally organized, employees rarely receive minimum wages, insurance, social security, or health and safety benefits.

# TechnoServe

*Q: Does Technoserve work with micro-enterprises?*

*A:* Yes, to a very limited extent. But rather than working with single-owner enterprises, Technoserve has found that maximum benefits result from working with group-owned enterprises. We assist micro-enterprises developed within a community context, such as those individually initiated activities that develop alongside group-owned enterprises.

*Q: Does Technoserve provide credit directly to enterprises?*

*A:* Technoserve believes that as an international NGO we should work to support the existing financial systems in a country, not duplicate them. Where we find that an enterprise does need credit, we help them gain access through financial intermediaries. In cases where capital is not available, we have established local trusts to provide capital through stock purchase or loans.

*Q: Does Technoserve help starving people?*

*A:* We think that in many instances, the best response to the food problem is not simply to provide food, but instead to provide the know-how and technical skills required to produce more food locally, or the income to buy enough food. Technoserve works to prevent conditions that lead to starvation.

*Q: Do the enterprises assisted pay for Technoserve services?*

*A:* They pay a fee which is a small fraction of the actual cost. Our experience shows that fees are important in gaining and gauging commitment of the enterprise owners to Technoserve involvement. Each fee is carefully determined to fit local economic conditions.

*Q: There are so many problems in the U.S.; why not work here?*

*A:* There are many problems of unemployment and poverty in the U.S. However, these problems are so much more severe in developing countries and, since Technoserve cannot hope to help everywhere, it has chosen to concentrate its help in selected African and Latin American countries. We also believe that it is in the interest of developed countries to assist the people of the Third World.

*Q: Why doesn't Technoserve work in more countries?*

*A:* When we go into a country, we want to establish a program that will be able to provide assistance over a long period of time. This requires a substantial investment of time to develop an experienced staff and considerable investment of money to insure a stable start-up. We try to cover as many countries as we can, and we are growing, but we will not sacrifice the quality of our work for quantity.

## GLOSSARY

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### BAS

*Business Advisory Services.* Short-term management and training consultations (under 6 months) to businesses which either do not meet Technoserve criteria for CBEs (see below) or do not need longer-term assistance.

### CBE

*Community Based Enterprise.* Member owned, rural, medium scale, agriculturally-related business.

### CEPIS

*Community Enterprise Promotion and Investment Services.* This approach, successfully used in Kenya and Ghana, combines business services, a charitable trust, and closer ties with financial institutions. Technoserve provides management, technology, and financial resources to help rural poor start new businesses. Sometimes this involves equity ownership.

### Commodity Sector

A specific commodity area on which a Technoserve office has chosen to focus, such as palm oil in Ghana or water in Kenya.

### Cost-Effectiveness

Method of analysis developed by Technoserve to compare our costs with the financial and non-quantifiable benefits of our development work.

### Development Education

The process of educating Americans and other people in industrialized countries about less developed countries. Development education addresses global economic, environmental, political, strategic, cultural, and social interdependence.

### Impact Evaluation

Assessment of the effect of Technoserve's work on people's well-being.

### Institution Building

Assistance to institutions which are important to national development activities, to strengthen or improve their effectiveness/efficiency. Usually Technoserve provides more than 18 months of service per year to institution building projects.

### Job Costs

A system designed by our accounting department to track the costs of each Technoserve project or "job."

### Leveraging Impact

Concept that we can positively affect more people through policy influence, institutional assistance, and Replication & Policy Analysis writings and research, than Technoserve can affect with direct assistance.

### NGO

*Non-Governmental Organization.* Used to refer to private development organizations both in the U.S. and overseas. Same as PVO.

- Northern NGO—NGOs in the developed world.
- Southern NGO—NGOs in less developed countries.

### ODA

*Official Development Assistance.* Foreign aid given to developing countries by member nations of the OECD.

### OECD

*Organization for Economic Co-Operation and Development.* An association of industrially developed countries including Western Europe, Japan, Canada, the United States, Australia, and New Zealand.

### PVO

*Private Voluntary Organization*

### R&PA

Technoserve's Replication and Policy Analysis Department.

**TECHNOSERVE'S MISSION STATEMENT:**

Approved by the Board of Directors, May 15, 1985

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“It is Technoserve’s aim to improve the economic and social well-being of low-income people in developing countries through a process of enterprise development which increases productivity, jobs, and income. Technoserve accomplishes this by providing management, technical assistance, and training to enterprises and institutions primarily related to the agricultural sector.”