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Evaluation of EDC Omena Market Linkage Programme

A Technical Assessment By

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USAID Kenya Business Development Services Program (Kenya BDS)
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EXECUTIVE SUMMARY

This report covers an evaluation of the EDC Omena Market Linkage Programme. The Programme is supported by USAID Kenya BDS and implemented by Enterprise Development Consultants (EDC) and Promasidor. Kenya Shillings 3,551,500 was availed to EDC under a one-year Programme for (1) consolidation and strengthening of market linkages; (2) group mobilization, strengthening and on-going management; and (3) commercialization of key market linkage activities through building the capacity of Field Extension Officers. The Programme ends on 31st July, 2007.

After ten months of the programme, a number of management challenges have arisen at the facilitator level which may threaten the overall viability of the programme. These include the following:

- Repayment of Rack Construction Loan is not being Undertaken in a Serious Manner
- Buyers Credit is Being Increasingly Misused by Agents and Women
- Over-reliance on Judith Ogolla as Facilitator

This report examines these issues in detail as well as other issues included as tasks for the consultant (found in introduction)

The key findings are as follows:

1. PRICING

Women traders perceive the price of KShs45 per Kg as too low to enable them make profits and remain with surplus to repay loans. This has led to low sales of omena to Promasidor during times of scarcity and only high sales when prices are in their favor. It has also led to retention of buyer credit and a lack of commitment to Promasidor as women do not view it as a market they have to retain at all costs.

2. POLICIES AND PROCEDURES

Policies and procedures for buyer credit and rack loans do not exist and as a result, the women do not know how and when to pay for rack loans and/or buyer credit and therefore do not pay it. The FEOs and key Promasidor field agents sometimes make ad-hoc inconsistent decisions not based on specific policies or procedures creating dissatisfaction among other actors in the omena linkage scheme.

3. RECORD KEEPING

Record keeping at Group levels, FEO levels and Promasidor levels are weak and inadequate and cannot support the programme. Since a proper system does not exist, records at all levels do not tally making it difficult to know who owns what buyer credit or rack loans. This poor record keeping has encouraged fraud and manipulation, possibly at all levels and enhanced the retention of buyer credit by the groups.

4. MANAGEMENT INFORMATION SYSTEM

Management Information System for tracking buyer credit and rack loans and any other important information do not exist. As a result, timely information for management decisions are missing as Promasidor cannot trace buyer credit outstanding daily or weekly or monthly. Due to the absence of MIS, reports submitted to Kenya BDS and that of Promasidor mostly differs. Without information, important activities such as projections for buyer credit, rack loan repayment, omena catch etc cannot be adequately done.

5. COMMITMENT TO THE PROGRAMME

Commitment to the programme at the level of FEOs, groups and key Promasidor field staff is lacking. The lack of commitment is signaled by the failure to repay for racks and continuous retention of buyer credit even at times when they supply omena to other market traders. Other signals are malpractices and/or fraud by FEOs and the non-usage of key documentations developed for the programme on the part of Promasidor.

6. OVER RELIANCE ON JUDITH OGOLLA

Over reliance on Judith Ogolla as key facilitator by groups and FEOs is due to failure by Judith to effectively implement systems and procedures that would enable groups, FEOs and partly EDC operate without her. The FEOs rely on her due to their lack of technical skills and knowledge of group lending and have to continue being close with her for guidance while groups are not strong.

Flowing out of these key findings, recommendations that Kenya BDS should consider are the following:

1. PRICING

Promasidor should undertake proper costing and pricing of operations and the omena purchase product. This costing and pricing of the products should be based on harvest, competitor prices, periodic fish bans, cost of agents, and cost of key staff e.g. Nehemiah and John in order to arrive at right prices for omena price per Kg.

2. PROCESS MAPPING

Kenya BDS should support Promasidor to undertake process mapping exercise of the omena linkage programme and develop processes with clear documentation as outputs of each process. From this exercise, an operation manual that contains clear guidelines for buyer credit and rack loan monitoring and follow-up and repayment would be developed. Once the policies and procedures manuals are complete, the FEOs and key Promasidor staff will require training on how to use them. It is only then that they will be implemented at all levels i.e. groups, FEOs and Promasidor key staff. Kenya BDS could opt to develop the capacity of Ogolla to be able to develop and refine manuals and establish systems for the programme as this capacity is currently missing.

3. CAPACITY BUILDING FOR FEOs AND GROUPS

Capacity building for FEOs should be preceded by harmonization and up dating of all records at group levels with those at FEO levels and Promasidor level. Up dating of records will be participatory and will be part of capacity building at all levels. This will be followed by retraining and reorientation of FEOs in how to support groups in record keeping. As developed in the process mapping exercise, new documentations may be put into place at group levels, FEO levels and Promasidor levels.

4. MANAGEMENT INFORMATION SYSTEM

Kenya BDS may have to support Promasidor to establish a simple management information system that can track important information for decision making and reporting. Documentation developed during the process mapping exercise will feed into such a system.

5. BUILDING COMMITMENT IN THE PROGRAMME

The weak relationship between groups and Promasidor need to be strengthened through specific discussions and clarification of roles of actors in the omena market linkage programme. Deliberate actions and activities should be developed and implemented for building these

commitments e.g. a forum for discussion between the buyer and groups should be established and used. To make that forum work, the key players should be Promasidor and groups. Promasidor should regularize contractual arrangements with FEOs to enable them focus on their work. Promasidor should also build relationships with Beach Management Units to be able to operate smoothly.

6. COMMERCIALIZATION STRATEGY

Kenya BDS may need to support the facilitator to develop a new commercialization strategy based on the evaluation findings. Generally, the findings are that the key actors in commercialization strategy i.e. groups and FEOs are weak and cannot support it. Only after these two actors are strengthened would the Programme go on to achieve commercialization objectives.

There are other strategies that Kenya BDS and Promasidor could pursue to be able to meet commercialization objectives. Apart from offering the right price to the market based on seasonal variations of omena catch, they could pursue options of expanding to other beaches or provision of more buyer credit good market traders. This option would include also buying from groups or individuals with boats to achieve tonnage required. It is however not wise to pursue new strategies without first solving challenges that have an influence on the outcome of the project.

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1. INTRODUCTION

1.1 Background

In June 2005, Kenya BDS entered into a Memorandum of Understanding (MOU) with lead exporter Promasidor to develop a market linkage program for women Omena processors in Suba District. Under the MOU, Kenya BDS offered to mobilize and develop the women Omena processors into viable business production units which could enter into commercial win-win relationships with Promasidor as a buyer of their product. For sustainability, the market linkage relationship would be supported through a network of commercial sales agents to handle issues of group formation, buyers' credit, post-catch handling, grading, storage, and collection at the beach. To carry out these activities in the field, Kenya BDS contracted local facilitator Enterprise Development Consultants (EDC).

On its part, Promasidor agreed to enter into supply contracts with women traders participating under the program by offering a guaranteed price and market for their grade one Omena product. To further strengthen the scheme, Promasidor would also provide buyers credit for the daily purchase of Omena, as well as beach-based demonstration equipment and loans for wire mesh to enable women to uptake the rack-drying technology. Through this partnership, the program has rapidly expanded to a total of 642 women Omena processors, with 434 already linked through supply contracts to Promasidor. These women are organized into 27 groups from 17 beaches throughout Suba District. A total of 247 drying racks have been constructed by the women, with an additional 48 racks awaiting final wire meshing by Promasidor.

Although sales under the scheme average up to 30 tonnes per month (KShs1,350,000), and significant outreach has been achieved throughout the beaches of Suba District, a number of management challenges have arisen at the facilitator level which may threaten overall viability of the scheme. These include:

Repayment of Rack Construction Loan is not being Undertaken in a Serious Manner

To date the exporter has provided KShs495,673 in wire meshing for the women processors on credit. By the end of March 2007, only KShs89,221, or 18% had been repaid by the women. This negatively impacts the program in several ways. First, additional new groups are developing at other beaches waiting to join the program. Until more active repayment is made, Promasidor will not extend their credit further. Second, the fishing ban commenced this past April 1 for a four month period. Some of the original racks are already deteriorating, and it will be even more difficult for women to repay in the follow-on season.

Buyers Credit is Being Increasingly Misused by Agents and Women

It was recently revealed that significant abuse of Promasidor's buyers' credit has taken place. Specifically, field agents associated with the program have squandered KShs 398,318. This was largely a result of the absence of appropriate checks and balances, as well as proper record-keeping to monitor disbursements. Women's groups have also accumulated a balance of KShs 153,254 in buyer's credit outstanding. This result is a combination of poor record-keeping at EDC, Promasidor, and group levels, as well as poor signals communicated to women traders. Many of the women still fail to realize that this is not their money, and must be returned immediately to the exporter if the credit is not applied to the purchase of fish. Continued abuse of credit may seriously jeopardize viability of this program.

Over-reliance on Judith Ogolla as Facilitator

Judith Ogolla was hired as the lead facilitator under this intervention to develop and institutionalize the necessary systems, procedures, and technical staff (i.e. field agents) such that the program may continue beyond the period of Kenya BDS support. Although the program is currently operating on commercial terms (i.e. exporter handles all aspects of collections and marketing and pays women's groups directly), it is apparent that the women have not graduated from their reliance on Judith. If anything, she is seen by most groups as the keystone to its success. Only until local capacity is developed may this program truly graduate from Kenya BDS assistance. Kenya BDS has in the past required the facilitator to uncover and address these issues, however to date significant challenges remain. It is in the backdrop of the foregoing that Kenya BDS seeks a competent small enterprise development specialist with strong experience in microfinance and credit management to conduct an immediate and comprehensive evaluation of the Omena intervention with a view to identifying the specific issues facing the program, and identifying the necessary technical assistance or capacity-building requirements to put the program back on track towards realization of its set targets and objectives.

1.2 Tasks

- i. The specific tasks of the consultant were to conduct interviews with 17 groups and
 - o Assess their perception of the program;
 - o Assess records which are in place;
 - o Identify constraints in rack repayment and buyers credit; and
 - o Gauge overall commitment and strength of the program.
- ii. Discuss with the key Promasidor staff the management of the program, review sales and collection records, and discuss options for agent-based collection scheme by Promasidor field staff and the potential role of management staff as related to rack repayment, buyers' credit, and overall commercialization.
- iii. Review the effectiveness of EDC in implementation of all the program activities set out for Phase II. Specific attention will be given to activities set out for establishing clear systems and procedures for rack loan repayments and advance portfolio management; coordination of market linkages with the exporter and development and implementation of the commercialization strategy for the program. Identify critical gaps and weaknesses that may need to be addressed.
- iv. Review information systems, procedures, and documentation set up by EDC for effective operations and management. In particular, the consultant would review recording systems set at the women group level, field extension officer level, as well as both facilitator and lead-firm levels in the field. Particular attention would be paid to production and production projections, credit, sales/payments, projections on price fluctuations among others.
- v. On the basis of the information above, the consultant would provide a comprehensive analysis of all key issues affecting effective implementation of the program. The consultant would then detail the necessary capacity-building requirements or program modifications needed for a successful turnaround of field operations.

1.3 Outputs and Deliverables

The main outputs of the work would be a comprehensive evaluation report detailing findings of the assessment, issues of concern, and recommendations on how the issues may be rectified.

1.4 Evaluation Methodology

The evaluation was carried out in four main steps: review of applicable documentation and programme reports, formulation of questions to be used during interviews and discussions, interviews with a total of 48 omena market traders in Rusinga, Mainland and Mfangano Islands; and discussions with key staff of Kenya BDS, EDC, and Promasidor. The people consulted included Judith Ogolla of EDC, Nehemiah Mbata and John Campbell of Promasidor.

Consultative meetings were held with Mr. David Knopp and Nancy Amayo of Kenya BDS and Phares Ratego of USAID prior to the field discussions. The purpose of these consultations was for collecting information required for the evaluation.

2. MAIN FINDINGS

2.1 Group Level Findings

2.1.1 Group perception of the programme

What women traders like most about the Programme is the financial independence that it has brought them. Many of them report that the programme has enabled them to pay school fees on time and eat well and they no longer have to depend on others for up keep as they now fend for themselves. They appreciate the unity the programme has brought among women and the financial knowledge they have acquired.

Much of this perception is hinged on the role of Judith Ogolla whom they perceive as the “owner” of the project. They are unable to differentiate the roles of Judith Ogolla and that of Promasidor and report that Judith is the one that recruited them into groups and trained them, taught them quality control, got them market with Promasidor, gave them buyer credit, provided them with materials for racks, lobbied for standard price of omena with Promasidor and lobbied for removal of government ban among other things. They feel a sense of loyalty to her and see her as one who truly wants them to succeed.

Since January this year, Nehemiah took over the role of disbursing credit, collecting fish and demanding for the payment of rack loans. The women have started differentiating the roles of Promasidor and EDC. The women traders would like the following changes made to the programme.

- Buyer credit increased to at least KShs3000 per woman trader;
- Standard price of omena increased from KShs45 per kg to KShs100 per Kg to enable them make profit;
- Training on other economic activities that they can rely on when the lake is closed;
- Delivery of buyer credit and collection of omena on time to avoid weight loss;
- Assistance in paying land rent and stores rent;
- Provision of more racks and metal rods for building new racks as the wooden ones deteriorate quickly;
- FEOs to visit them regularly and discuss with them their operations as opposed to weighing fish only;
- Bring a bank closer in Mbita so that they save on transportation costs they incur while going to make savings in Homa Bay; and
- Provisions of funds to enable them buy boats, nets and lamps.

Some of the perceptions that touch on the programme e.g. pricing, buyer credit, racks and functions of FEOs could be investigated by Promasidor while the rest e.g. bringing banks closer, training on other activities etc could be explored by other developmental organizations.

2.1.2 Group Records in Place

The following three books are kept at group level. Records book, Passbook and Minutes Book. The **Record Book** is a hard cover ruled book that shows the amount of money given to women leaders for buyer credit and the distribution of credit among women. The **Minute Book** contains minutes of weekly meetings of women groups as well as the preceding agenda of each week and is kept by the group secretary. The **Pass Book** is an individual savings book that contains weekly savings of group members and is kept by the treasurer.

The evaluation of group records revealed that record keeping in nearly all groups is very weak and requires strengthening. While some groups have some levels of record keeping, others do not have and prefer to use “their heads” to keep records. Some records are in small torn exercise books, with several important figures such as fish delivery to Promasidor missing and many of them report that they rely more on figures written in the books of FEOs and Promasidor. In some cases different records are with different people making it difficult for group leaders to update their own records. As a result, records of fish delivered and buyer credit taken cannot be easily tallied. Records of rack loans received are in a flip chart kept by one member of the group while that of fish delivered for rack payments do not exist at group level, making it difficult to trace how much a group is holding in terms of rack loan repayment.

2.1.3 Constraints in Rack Loan Repayment

Generally rack loans are given in the form of materials such as wire mesh, nets and nails at cost plus cost of delivery of materials. Nehemiah Mbata of Promasidor is in charge of the purchase of materials and puts the average price of one rack at about KShs3000. The amount of materials delivered to women groups depends on the size of the group. A copy of the receipt used to purchase materials for racks i.e. wire mesh and nets is given to group leaders. Loan repayment is made in the form of fish delivery of an average of 3-5Kgs of fish every time fish purchased through buyer credit is delivered.

The following constraints in rack loan repayment came out of discussion with groups.

a. The Pricing Structure of Omena

The pricing structure of omena does not allow women enough profit margins to enable them pay rack loans and remain with a surplus, especially at times of omena scarcity. Groups report that at times of omena scarcity, a trough costs an average of KShs450-500 per trough which translates to 9-10Kgs of omena or KShs450 while Promasidor offers them KShs450 leaving them with no profit. The price offered by Promasidor is considered too low when put together with other costs i.e. the cost of renting space for racks at KShs1000-1500 per month and stores KShs1000-1500 per month. Women report that at Promasidor price of KShs45 per Kg, they can only make profit when price per trough is KShs250-350. Since they are unable to supply Promasidor with fish at times of scarcity, rack loans remain unpaid.

It is upon Promasidor to undertake proper costing of operations based on their own costs, competitor prices in order to establish realistic prices for omena purchased from traders. Costing of omena prices should also take into account seasonality variations in omena harvests per beach and periodic fish bans. This would require proper projections of harvests and investigations on bulk purchase of omena at times of abundance.

b. Absence of clearly written policies

Clearly written policies in terms rack loan duration, frequency of payment, timing of payment, how to deal with defaulters etc do not exist in writing and are not included in the operational manuals. What exists is an unwritten procedure for rack loan repayment that states that fish delivery of 3-5Kgs of fish at every collection time to offset the rack loans. The absence of clear policies and procedures for rack loan repayment has led women to believe that repayment of rack loans is not mandatory and therefore can be paid at their own convenience.

To rectify the situation, clear policies and procedures for rack loan repayment that includes loan duration, frequency of repayment, default management and recovery process should be developed and enforced.

c. Not knowing amounts to repay due to poor record keeping

Certain group members do not know both the total and individual rack loans they are supposed to pay. Some group members have a flip chart kept by one member of each group with detailed calculation of the total rack loan and what each member is supposed to pay. This individual amount is however not recorded into individual passbooks to allow every individual remember and trace repayments and balances.

Also, in some cases women traders have delivered omena for rack loan repayment but do not have individual records of omena delivered and what is still owed. This is because they do not have a system of recording the amount of rack loans repaid in their own books. On the other hand, FEOs record omena deliveries for rack loan repayment side by side the deliveries for buyer credit without differentiating amounts for rack loans and amounts for buyer credit.

In some cases, FEOs weigh fish but do not record the amount in their books or collect fish or cash for rack loan repayments but do not submit the cash to Promasidor. Also some rack loan repayment figures exist only in the books of FEOs but are not reflected in the books of Promasidor e.g. Records in the books of FEO shows that Ngwono group delivered some fish to offset rack loans yet in Promasidor books, the amount delivered is not reflected.

Not knowing how much women traders have paid in omena deliveries for rack loans has led to some level of apathy towards rack loan repayment. A number of women group members feel that they are being kept in the dark deliberately on how much they have paid to Promasidor.

To avoid this apathy and confusion at group levels, the rack loan repayment records should be harmonized starting from those done at group level, FEO level and Promasidor Level and every individual figure of what is owed written in passbooks.

d. Migration of Movement of Women Traders

Due to seasonal migrations of fish, women traders also move to the beaches where omena fishing is active. When they move, group records of rack loan owed either remain with FEOs in charge of the group making it impossible for the other FEOs to know what is owed individually. Similarly, when women traders move to other beaches, they leave their respective installed rack facilities unutilized and are unable to supply Promasidor with fish as they dry them fish on bare ground due to scarcity of racks.

To counter this problem, rack loan repayment should be recorded in the individual passbooks and women should be encouraged to carry their passbooks at all times. Similarly, passbooks should be carried at all times and all transactions recorded in them by women traders and Promasidor FEOs.

e. General Dissatisfaction with Rack Loan Product

Women are not committed to repaying rack loans due to some general dissatisfaction with the whole product. They are dissatisfied with the cost of racks, perceived to be over priced, the sharing of racks.

Some women traders are of the opinion that rack prices were over inflated and report that if the original policy of opening accounts and money for rack loans deposited into their accounts was followed, the cost of rack loans should have been cheaper. The perception that rack loans are costly is fueled by high exit rates in groups that have seen some groups halve the original size and double the total amount of rack loan repayment per individual.

Since there are several issues around racks and rack loan repayment, it would be prudent for Promasidor to find out a strategy for racks and rack loans. One of the strategies would be to discontinue involving themselves in the purchase or maintenance of racks but only provide demonstration racks, offer attractive prices for the supply of right grade of omena required and let a third party finance the racks. The other strategy would be to own racks and have the cost of racks in-built into the price of Grade I omena delivered to Promasidor.

2.1.4 Constraints in Buyer Credit Repayment/Refunds

a. Buyer Credit Policy and Procedures

The policy and procedures for refund of buyer credit are unclear and/or do not exist. For example, the unwritten buyer credit duration policy is weekly while the practice is three weeks (in tandem with the lunar cycle). There are no policies for application for buyer credit, authorization for disbursements, credit limits, frequency or periodicity of refunds, dates for refunds, policies for late refunds or recovery, provision for losses etc. As a result of this lack of clarity or absence of policies, group leaders hold the remaining buyer credit as long as it is “convenient” for them or long after the lunar cycle is over while Promasidor continues to top this credit in anticipation of fish deliveries.

When this “convenience” is considered together with pricing issues of omena, it becomes evident that women traders are manipulating Promasidor i.e. they take buyer credit but only deliver fish when prices are in their favor.

Promasidor should exercise caution in topping up buyer credit to those that have not been delivering fish. Likewise, it is important to note that as long as there are no clear policies on buyer credit and issues seasonal variation of prices are not taken care of, women will continue take buyer credit from Promasidor but deliver fish to those who pay more.

b. A system for Buyer Credit monitoring and Refunds do not exist

An assessment of the system for follow-up of disbursed buyer credit balance revealed that no such system exists at Promasidor level, group level or individual level. One of the group leaders reported that women use the remaining buyer credit for their own personal needs e.g. paying school fees and are unable to refund it.

Similarly, there are no receipt books or records that show cash refunds for buyer credit. While tracing of records from Promasidor level to group levels the evaluation showed a case where only 60% of buyer credit given to an FEO was used and the 40% unused was not recorded anywhere in Promasidor books.

A clear system for follow-up of buyer credit refunds with clear time-frames for refunds and penalties should be established both at group levels and FEO levels.

c. Buyer Credit Records

Records at FEO levels are very poorly kept making it difficult to know buyer credit balances for individual women. One of the most obvious problems was that women groups relied mostly on records of FEOs or Promasidor especially when their own books for record keeping are unavailable. Sometimes, they have their record books but do not record transactions in them. Due to inconsistencies in record keeping at group and FEO levels, records at group level, FEO level and Promasidor level do not tally and it is extremely difficult to trace where shortfalls are. In most groups visited, the records of fish delivered missing.

It is apparent that the accounting of buyer credit requires treasury management, high levels of record keeping and numeracy skills, which are lacking among the women traders. As a result of this lack of skills, the majority of the women traders interviewed are not committed to keeping records.

2.1.5 Overall Commitment and Strength of the Programme

Groups already exist where there was no group system before and this is an important starting point for the programme. Secondly, it is important to realize that developing groups to a level where they are strong and viable takes time. The project has only operated effectively for one year and the problems mentioned here can easily be resolved by capacity building.

Having said that, it is the opinion of the evaluator that women groups are not developed to a level where they are strong viable buyer groups. There are problems with group cohesion, co-guarantee mechanism and joint liability due to complex issues with the programme such as migration to other beaches, disparities in levels of incomes, education and age, presence of immigrants from areas as far as Seme, Imbo, and Uyoma as well as local community members, ability of some women to access fish from fishermen etc. In group lending mechanisms, homogeneity is a binding factor and enhances peer pressure.

They do not see the programme as a business that they must protect at all costs, mainly due to issues of pricing. The programme can be stronger if women traders would perceive Promasidor as the best option for buying their omena. Right now, they only sell to Promasidor when the pricing is in their favor and in many instances preferred to sell to market traders.

2.2 FACILITATOR LEVEL FINDINGS

2.2.1 EDC Effectiveness in Implementation of Programme Activities

The effectiveness in implementation mechanisms can be gauged by looking at the benefits of the projects and whether the outputs have contributed to the achievement of those benefits, and the unforeseen outcomes and reasons for difference.

The following table 1 provides an overview of the planned benefits and the actual benefits of the Programme.

Table 1: Required outputs and Actual Outputs

Key Result Areas	Actual Outputs
1. At least 750 MSEs accessing Business Services	1. 434 MSEs accessing business services
2. 3 FEOs (commercial Service Providers) providing technical assistance and training to	2. 2 FEOs are unable to provide adequate technical assistance to groups on a

women groups in a sustainable basis	sustainable basis
3. 1000 MSEs aware of the Programme	3. Not able to evaluate
4. 750 MSEs aware of Programme Assisted Business Services	4. 434 MSEs aware of Programme Assisted Business Services
5. 240 Grade I Omena Delivered to Promasidor by women traders	5. 93 tons of Grade I Omena Delivered to Promasidor by Women Traders

The actual benefits of the project have fallen short of the planned benefits as seen in Table 2. Only 434 women traders are already accessing business services, two FEOs instead of 3 are on the ground but are not strong enough to provide adequate technical assistance to groups on a sustainable basis; and 93 ton of Grade I omena has been delivered in 10 months against the planned 200 tons.

In general, EDC has been very successful in mobilizing groups for the programme but has struggled to implement the rest of activities. The activities for establishing clear systems and procedures for rack loan repayments and advance portfolio management have not been implemented adequately. Coordination of market linkages with the exporter was done but did not lead to desired outcomes. The commercialization strategy developed by EDC was based on certain assumptions that later did not prove attainable. Although attempts were made at establishing commercialization strategy, desired outcomes have not been achieved.

The following is a brief description achievements/non achievements and reasons thereof.

i. Activities for establishing clear systems and procedures for rack loan repayments and advance portfolio management

EDC attempted to establish systems but was not successful. Under this component, EDC was to revise supply contracts to reflect loan repayment (start and end dates, repayment duration, frequencies, installment amounts, etc) with loan repayment schedules). EDC made calculations on a flip chart at each group level showing the average owed per individual but did not go further to enter the figures in the individual pass books, hence individual members did not see it as a personal loan they had to repay.

ii. Coordination of market linkages with the exporter

Coordination of market linkages involved developing transportation schedules and other logistical schedules for loan repayments, payments of omena; coordination of omena collection in the beaches, revision of production projections, and undertaking daily checks on all advances received and used. EDC developed omena delivery route schedules that would show when and where to collect omena. This schedule has not worked as Promasidor minimizes on fuel costs and only collects when a certain amount of omena deliveries can be achieved. EDC did not revise the omena collection schedule to reflect the needs of Promasidor and women. This has led delays in collecting fish. FEOs have not been to carry out daily checks on all advances received and utilized presumably due to low transport allowance of KShs1500 that does not allow them to visit all groups throughout the month.

Discussions with both Judith Ogolla and Nehemiah Mbata revealed that it has been difficult for EDC to coordinate market linkages with Promasidor due to a number of issues such as lack of buy-in of the programme by Nehemiah (See 4.2) Some signals in lack of harmony are difference in returns submitted to Kenya BDS and the ones with Promasidor, the non acceptance of the FEOs by Nehemiah and the non acceptance of the documentation developed for the programme.

iii. Development of Commercialization Strategy

Discussion with Judith Ogolla on commercialization strategy revealed that there were supposed to be three actors: The **FEOs** were to produce omena harvests of at least 2 tonnes per group per month and maintain appropriate record keeping. Their remunerations would be a basic salary of KShs3000 and a commission on production above the agreed rate. The women traders were to produce quality standard of omena and supply the volume of omena required per group to Promasidor. Promasidor was to supply credit promptly, collect omena promptly, and give the price of KShs45 per kg and were supposed to review supply contracts as necessary.

An analysis of omena supplied to **Promasidor** show that the revised projections of 2 tons per FEO per month was still high as only 93¹ tons have been supplied to Promasidor for the ten month period between June 2006 and March 2007 or an average of 10.3 tons per month (Source: Monthly Reports to Promasidor). It could however be said that if the issue of pricing was resolved, women would deliver omena to Promasidor even at times of scarcity and the agreed tonnage would be met. Apart from pricing factors, other factors include low number of racks, delays in disbursement of buyer credit, inappropriate pricing, seasonal variations in fish harvests etc. Further analysis needs to be done to determine realistic omena deliveries based on 2006/7 deliveries, willingness of women traders to sell at the price of KShs45 per Kg, as well as logistical issues on the ground.

As a result of the low tonnage and other issues beyond the control of FEOs, FEOs cannot earn more than their basic salaries and remain demotivated.

Similarly, **FEOs** were supposed to maintain appropriate record keeping at their levels and support groups to do the same. They have been unable to do so. FEOs have been short in knowledge and skills in the following areas:

- ◆ Group lending mechanism
- ◆ Record keeping at their own levels and group levels
- ◆ Group attendance and monitoring
- ◆ Disbursing of buyer credit and follow-up
- ◆ Follow-up and recovery of refunds
- ◆ Conduct of FEOs (business ethics)
- ◆ Training of groups etc

The two FEOs have not been given enough training to be able to undertake these functions effectively as they were in the programme only for 4 months before being handed over to Promasidor. As such they have not been trained enough to gain the necessary skills, knowledge and attitude to be able to function and support commercialization objectives. Caution should be made in interpretation here. Without clear processes and procedures and appropriate documentation at each level, any training made for the FEOs would be in a vacuum as the training should be both on group lending and systems in place.

Apart from equipping FEOs with knowledge and skills required of an Agent, Promasidor needs to equip them with resources that would enable them to undertake their work effectively: allowances for transport and communication, instrument for measuring moisture content of fish

¹ Fish delivery figures in reports to Kenya BDS puts the deliveries as follows: June-August (31 tons), September (3), October (18), November (7), December (12), January (16), February (1) and March (4) or a total of 93 tons

etc. Promasidor needs to regularize their contracts to remove uncertainties so that they can give Promasidor their level best.

The **women traders** were to produce quality standard of omena and supply the volume of omena required per group to Promasidor. In order to do so, EDC was to strengthen their capacity to a level where they could become viable buyer groups for the programme. Even though EDC has undertaken several group leader's meetings, the results of the training has not trickled down to group levels and issues of poor record keeping, lack of commitment to the programme and lack of cohesion still remain major challenges to the programme. Other activities such as the institution of a bonus system to well performing groups were not done.

Promasidor has been able to supply credit, at times not promptly and has maintained a standard price of KShs45 per kg. The level of tonnage required by Promasidor has never been met due to issues such as pricing number of racks available, capacity of Promasidor stores among other things.

2.2.2 Information Systems, Procedures and Documentation set up by EDC

Information System

Currently no system exists for tracking buyer credit, rack loans or accounting activities. Information available at Promasidor level is that John Campbell was developing a spread sheet that could elicit information required at management level but this is not finalized. What exists are documentation for summarizing activities such as Monthly Omena Delivery Schedule, Monthly Omena Repayment Schedule and Group Summary Schedule but they are not being used either at FEO level or Promasidor level.

A system (whether manual or computerized) should be able to track information on each woman trader on daily, weekly or monthly basis as need be and generate reports such as value of rack loans outstanding with women traders, value of buyer credit outstanding with women groups, arrears reports for groups, trial balance and/or balance sheet, number of borrowers by beach or credit officer etc.

Procedures

The whole Omena Market Linkage Programme does not have clearly developed processes and documentations as outputs of each stage. The only processes that are well-developed are the group formation process that clearly shows activities from group registration, development of group constitution, and development. The rest of the processes such as buyer credit projection, application, disbursement, omena delivery, buyer credit topping up, refunds and recovery are not well developed.

Documentations

The following documentations have been developed for the group level: delivery log book, group membership register, constitution, passbook, minute books, attendance register, correspondence file, treasurer's ledger are in place. The following documentations have been developed for FEO levels: collection schedule, routing schedule, rack loan repayment. Forms either are not used or do not work effectively. There is no documentation or system for projection of price fluctuations or fish production.

The operations manual does not include terms and conditions of the rack loans and buyer credit or important aspects such as buyer credit sizes and limits, eligibility criteria for loans, frequency of

repayment, grace period for buyer credit refunds, provision for losses etc. Similarly, the operations manual lack important procedures for loan disbursement, repayment, follow-up, recovery etc. Without such important policies and procedures, practices at both FEOs are ad hoc and inconsistent. The Operations Manual need to be improved to include appropriate policies and procedures for rack loan repayment and advance portfolio management to guide the operations of FEO, groups and Promasidor field staff.

One of the important findings is that FEOs have not been trained on relevance and use of documentations and do not use them. While some documentations are practical and are not being used effectively e.g. the passbook, delivery log book and records book, others are very useful but not being used completely e.g. the rack loan repayment forms. A number of documentations need to be refined e.g. collection schedule and routing schedule, FEO records that are found in several books, some unofficial. Some of the records used at the group levels and FEO levels do not capture all information intended for such a programme or have some important sections missing.

FEO records should be in one book and should show how much they received from Promasidor on a given day, how much of that money was given to women group leaders, how much money the group leaders gave to the women group members, how much fish was delivered and balances of buyer credit and rack loans to be repaid with clear balances of buyer credit not disbursed at the level of FEOs, Group Leaders and Individual women members. The new Omena Delivery Log Books that Nehemiah introduced in January should be harmonized with the old books of accounts to know true status of deliveries.

A whole process mapping exercise should be undertaken for the omena market linkage programme to allow for the development of proper procedures and policies document for the operation of the programme. Other outputs of such an exercise would include identification of risks at each stage of the process and putting in place internal control measures to avoid fraud.

2.3 LEAD FIRM (PROMASIDOR) LEVEL FINDINGS

2.3.1 Options for Agent-Based Collection Scheme

An assessment of the current roles of Nehemiah Mbata and FEOs reveals that the key managerial duties of Nehemiah Mbata are too many to allow him focus on commercialization objectives. Since January 2007 when fraud was found to have occurred among FEOs, Nehemiah now disburses buyer credit to the women, collects fish and receives buyer credit refunds and rack loan repayment. He also undertakes quality assurance and oversees the sorting and packaging of fish for export. He buys and delivers rack materials i.e. wire mesh and nets for groups and runs project account together with John Campbell, the Project Coordinator). He is also in charge of the staff i.e. FEOs and boat staff. The role of disbursing buyer credit and collection of fish has been removed from the FEOs and their current roles are to weigh fish, attend and manage group meetings and ensure proper record keeping.

Discussions with Nehemiah Mbata show that due to several factors such the migratory nature of women and infrastructure along the beaches, it is difficult for him to manage buyer credit disbursement and/or collections on time and he believes that someone should share the responsibility of disbursing buyer credit.

He would prefer staff-based collection scheme as opposed to agent-based collection scheme. The FEOs would be employees of Promasidor with clear job descriptions, staff remuneration and reporting lines so that they are answerable to Promasidor. Nehemiah proposes a total of 5 Field Extension Officers who are staff of Promasidor covering beaches in Rusinga Island, Mainland and Mfangano Island. Two of such staff would be in charge of Rusinga Island; one would be in charge of Mainland and three FEOs in charge of Mfangano Island.

Issues to do with staff-based as opposed to agent-based collection scheme require further discussion between Kenya BDS with Messrs John Campbell and Alistair Campbell as it has major cost implications for the project.

Suggested roles are as follows:

- ◆ Nehemiah would collect money from the bank and disburse to FEOs to give to groups;
- ◆ FEOs would disburse buyer credit to groups, weigh omena, undertake quality control and inform Nehemiah when omena is ready for collection;
- ◆ Nehemiah would collect fish from the beaches;
- ◆ Nehemiah would liaise with FEOs and oversee the collection of buyer credit and/or rack loans.

2.3.2 Commitment to the Programme

Nehemiah Mbata does not show a level of commitment to the project that would allow it to achieve commercialization objectives. There is a belief among women traders and EDC that Nehemiah would prefer the old programme of purchasing omena directly from women and not have FEOs do it as he would negotiate lower prices with women traders and supply Promasidor at KShs45 per Kg. Discussions with groups revealed that both Nehemiah and FEOs sometimes buy omena in cash or purchase in buyer credit but also undertake side buying in cash. Even though cash purchase seems to be in Promasidor policy during times of scarcity, negotiating lower prices and reflecting it at KShs45 per Kg is denying Promasidor that margin. The fact that some fish delivered to Promasidor has not attained the expected standards implies that some of the fish delivered may not have been dried in racks but on the ground and purchased at lower rates.

He has a strong belief that it would be difficult to develop the women groups into viable commercial entities with enough business interest to supply the quality and quantity of omena required by Promasidor and holds a wait and see attitude. It is possible that the lack of buy-in by key has constrained relationships and acceptance of some of the recording systems developed for the programme among other things.

Nehemiah has a strong belief that the current FEOs i.e. Rose and William are not professional enough to provide technical guidance to groups or be the agents of Promasidor in the field. He has issues with how the FEOs were handed over to Promasidor without establishing what they owed Promasidor and clearing them first before handing them over. He reports that the FEOs came with losses from fraudulent activities and now he does not know who owns specific losses.

2.4 OVER-RELIANCE ON JUDITH OGOLLA AS FACILITATOR

It is possible that the perception of Judith as the “owner” of the programme has encouraged over reliance by women groups. They feel Judith Ogolla understands their problems and can provide solutions to issues of pricing, collection of fish, buyer credit disbursement, scarcity of fish, rack loan repayment, buyer credit refunds etc. Many of the women traders cannot envisage the

programme without Judith. Deliberate effort must now be made to define the role of Judith Ogolla, Nehemiah Mbata and John Campbell and FEOs and communicate it clearly to women in a way that builds relationships in the whole chain. The role of Promasidor as a business organization with profit objectives must be revisited and promoted.

The Field Extension Officers continue to rely on Judith for direction even after joining Promasidor. They are still unsure of their relationship with Promasidor and feel closer to their former employer. The possible reason for this is their lack of confidence at their functions and has to continue relying on her for guidance.

We feel that it would collapse should Judith be withdrawn, unless Promasidor continues to work with us they way she has.

Right now, the FEOs do not have enough technical skills or knowledge to operate effectively while groups cannot function without Judith Ogolla because proper systems of record keeping, loan repayment, refund of buyer credit among others do not exist or do not work properly.

3. RECOMMENDATIONS AND CONCLUSIONS

The following table contains the key issues affecting the implementation of omena linkage programme and recommended actions.

Table 2: Key Issues and Recommendations for the Programme

Key Issue	Implication	Recommendation
1. Women traders perceive the price of KShs45 per Kg as too low to enable them make profits	<ul style="list-style-type: none"> ◆ Has led to low sales of omena to Promasidor during times of scarcity and only high sales when prices are in their favor; ◆ Has led to retention of buyer credit and non-repayment of rack loans; ◆ Has led to lack of commitment to Promasidor as women do not view it as a market they have to retain at all costs. 	<ul style="list-style-type: none"> ◆ Undertake proper costing and pricing of operations and the omena sales product; ◆ Base the costing on harvest projects, competitor prices, periodic fish bans, cost of agents, and cost of key staff e.g. Nehemiah and John in order to arrive at right prices for omena per Kg.
2. Policies and procedures for buyer credit and rack loans do not exist	<ul style="list-style-type: none"> ◆ Women do not know how and when to pay for rack loans and/or buyer credit; ◆ Women do not pay rack loans or refund buyer credit; ◆ FEOs and Key field agents make ad-hoc inconsistent decisions not based on any policies or procedures. ◆ Inconsistent practices and acrimony between FEOs, key field staff and women due to lack of guidelines; ◆ A system for buyer credit follow-up and repayment do not exist. 	<ul style="list-style-type: none"> ◆ Undertake process mapping exercise of the omena linkage programme and develop processes with clear documentation as outputs of each process; and especially ◆ Develop a system for buyer credit and rack loan repayment follow-up. ◆ Develop an operations manual that contains clear guidelines for buyer credit and rack loan repayment; ◆ Train FEOs and Key Field Staff the relevance of the operations manual and how to use the forms in it. ◆ Develop capacity of Judith Ogolla to be able to develop and refine manuals and establish systems for the programme.
3. Record keeping at Group levels, FEO	<ul style="list-style-type: none"> ◆ Records at all levels do not tally making it difficult to know who owns what buyer 	<ul style="list-style-type: none"> ◆ Harmonize records at group levels with that of FEO

<p>levels and Promasidor Levels are weak/inadequate</p>	<p>credit or rack loans;</p> <ul style="list-style-type: none"> ◆ Poor record keeping at all levels has encouraged fraud and manipulation, possibly at all levels; ◆ Retention of buyer credit and rack loans; ◆ Lack of commitment of groups to repay what they owe due to poor record keeping; ◆ 	<p>levels and Promasidor level to have up to date records;</p> <ul style="list-style-type: none"> ◆ Build the capacity of groups to be able to undertake proper record keeping; ◆ Build the capacity of FEOs to support groups in record keeping ◆ Build the capacity of Promasidor to keep appropriate records ◆
<p>4. Commercialization Strategy developed has not worked.</p>	<ul style="list-style-type: none"> ◆ Women do not supply the amount and quality standard of omena required ◆ FEOs are unable to strengthen groups to a level where they become viable groups ◆ Promasidor is unable to provide the buyer credit in time and negotiate new prices 	<ul style="list-style-type: none"> ◆ Develop new commercialization strategy based on realistic assumptions; ◆ Develop a new strategy for racks – Promasidor should “own” the racks completely or let women sources for funding for racks as issues surrounding use of racks are very complex.
<p>5. Management Information System for tracking buyer credit and rack loans do not exist</p>	<ul style="list-style-type: none"> ◆ Timely information for management decisions missing as Promasidor cannot trace buyer credit outstanding daily or weekly or monthly; ◆ Differences in information submitted to Kenya BDS and one retained by Promasidor; ◆ It is not easy to do projections without adequate information; ◆ 	<ul style="list-style-type: none"> ◆ Establish a simple management information system at Promasidor level. Such a system should use documentations generated at Process mapping level.
<p>6. Commitment to the programme at the level of FEOs, groups and key Promasidor field staff is lacking</p>	<ul style="list-style-type: none"> ◆ Groups are not committed to repaying rack loans and buyer credit; ◆ FEOs are involved in malpractices and/or fraud; ◆ Nehemiah is not committed to working with groups and/or EDC; 	<ul style="list-style-type: none"> ◆ Building of relationships especially between groups and Promasidor; ◆ Clearly differentiate the role of Promasidor as a buyer and that of EDC to enable groups respect that relationship ◆ Regularize contractual arrangements with FEOs to enable them focus on their

		<p>work;</p> <ul style="list-style-type: none"> ◆ Provide FEOs with adequate resources e.g. transport and communication allowance
<p>7. Over reliance on Judith Ogolla as key facilitator.</p>	<ul style="list-style-type: none"> ◆ Largely EDC has not been effective in implementing most of the key activities for Phase II of the programme, hence the reliance on her; ◆ The FEOs rely on her due to their lack of technical skills and knowledge of group lending and have to continue being close with her for guidance; ◆ The groups are not strong or cohesive and joint liability does not function properly hence the reliance of groups on her; ◆ Since there are largely no systems established for buyer credit and rack loan repayment, Promasidor occasionally relies on her for information. 	<ul style="list-style-type: none"> ◆ The role of Judith Ogolla as facilitator is strong in the group mobilization mainly. ◆ Kenya BDS must decide on whether to develop her for other key areas such as process mapping and development of policies and procedures, harmonization of records, strengthening of relationships etc. ◆ One suggestion is to retain Judith to strengthen groups and look for appropriate technical capabilities for other activities.