FINAL REPORT

EVALUATION OF INTERNATIONAL EXECUTIVE SERVICES CORPS IN KENYA

Grant No. 615-2038-G-00-7022-00

Prepared For
USAID/KENYA

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April 15, 1993

PROJECT DATA SHEET

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14.	Previous Evaluation:	Ernst and Young Inc., 1989
15.	This Evaluation:	Michael V. Julien, Team Leader John T. Mukui, Survey/Data Specialist

PREFACE

Between June 15 and August 25, 1992 a two person team contracted by USAID/ REDSO/ESA/RCO carried out the field work of the final evaluation of IESC/Kenya. IESC's activities are funded under USAID institutional Grant No. 615-2038-G-00-7022-00. The grant is a component of the Private Enterprise Development Project (PED) No. 615-0238. The team members were:

Michael V. Julien, Team Leader (M.Sc, Economic Development). Mr. Julien has an extensive background in evaluation, design, and management of private sector projects. He has conducted three evaluations as Team Leader and two as lead enterprise specialist in Kenya, Barbados, Jamaica, Pakistan and Belize. In 1991 he designed private enterprise and export projects for USAID in The Gambia (FAPE), and Kenya (KEDS). Between 1979-90 he was Chief Of Party of a $20 million venture capital program, Managing Director of an agribusiness company and Project Manager of a $12 million industrial loan facility.

John T. Mukui, Survey Data Specialist, (M.A, Economics) has 14 years of post-graduate experience in macroeconomic analysis and the design and execution of statistical surveys for the Government Of Kenya (GOK) and USAID. In May 1992 he was Team Leader of a USAID evaluation of the Kenya Management Assistance Program (K-MAP). His consultancies with the GOK and with USAID included statistical surveys on employment, consumer price indices, incremental capital output ratios and agricultural productivity. Between 1986-90 Mr. Mukui was a macro economist with the Director's Office (Nairobi) of the World Bank.

We were briefed by USAID's Private Enterprise Office (PEO) and discussed, during the week of June 15, the scope of work, work schedule and survey methodology. We reviewed project documents at USAID/Kenya and then submitted a draft work plan to PEO on June 19. From June 22 to July 10, we developed a questionnaire, met with IESC/Kenya personnel, carried out a preliminary assessment of IESC's data and established appointments for the survey.

The questionnaire was pretested and modified on July 13-14. We interviewed 99 clients between July 15-30 and compiled data on the impact of Volunteer Executive (VE) assistance. At the same time, we assessed IESC's institutional effectiveness and its relationship with USAID. Findings from the survey were interpreted and incorporated into the draft report by October 21, copies of which were submitted to USAID and IESC on October 30th for assessment, responses and comments. The draft report was returned to the Team Leader on December 15 and changes discussed with the Mission at various intervals in January 1993. The final report, reflecting USAID and IESC's remarks and factual corrections to the draft, was submitted on April 15, 1993.

We would like to express our appreciation to all those who provided information, perspectives and feedback during this assignment. In particular, we would like to thank Annamaria Watrin (IESC Project Officer), Anne Inserra (Evaluation Officer), Alfreda Brewer (PED Project Manager) of USAID/Kenya and Marianne Seekricher (Country Director), IESC/Kenya.

Michael V.Julien
John T.Mukui

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ACRONYMS

ABLE	American Business Linkage Enterprise
AID	USAID/Washington
AMP	Agricultural Management Project
APDF	African Project Development Facility
BESO	British Executive Services Overseas
CD	(IESC) Country Director
CESO	Canadian Executive Services Overseas
ESA/RCO	East and Southern Africa/Regional Contracts Office
FAPE	Financial and Private Enterprise Project
FPEAK	Fresh Produce Exporters Association of Kenya
GDP	Gross Domestic Product
GMK	General Motors Of Kenya
GOK	Government of Kenya
HIAMP	High Impact Ag Marketing and Production Project
HQS	IESC Headquarters/Stamford, Connecticut, (USA).
IESC	International Executive Service Corps
JVS	Joint Venture Services
KEDS	Kenya Export Development Support Project
KMAP	Kenya Management Assistance Project
KUSA	Kenya-United States Association
LOE	Level Of Effort
LOP	Life Of Project
MED	Management and Entrepreneurial Development
M&E	Monitoring and Evaluation
MIS	Management Information System
MTI	IESC's Market and Technology Information Services
NAC	National Advisory Council
NGO	Non Government Organization
NICS	Newly Industrial Countries
PACD	Project Assistance Completion Date
PED	Private Enterprise Development Project
PIL	Project Implementation Letter
PIO/T	Project Implementation Order/Technical Assistance
PP	Project Paper
PSDI	Private Sector Development Institutions
PSEPP	Private Sector Export Promotion Support Project
PSSS	Private Sector Strategy Statement
PTA	Preferential Trade Area
PVO	Private Voluntary Organization
RAS	Rehabilitation Advisory Services
REP	Rural Enterprise Program
RPE	Rural Private Enterprise Project
SME	Small and Medium Sized Enterprises
SOE	State Owned Enterprises
SOW	Scope Of Work
TA	Technical Assistance
TIS	IESC's Trade and Investment Service
USAID	United States Agency for International Development
VE	Volunteer Executive

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EXECUTIVE SUMMARY

Project Profile. Since June 1987 the International Executive Service Corp (IESC) program in Kenya has been funded by a $1,803,535 seven-year USAID institutional grant under the Private Enterprise Project (PED) Project No. 615-0238. The objectives of the Grant are to improve the capabilities of targeted firms; transfer technological expertise; assist IESC in reaching a wider range and larger number of small businesses and improve client growth, efficiency and profitability. The program offers three services: VE projects, ABLE services and Joint Venture support on a cost-sharing basis to the private sector.

Purpose of Evaluation. The purpose of this evaluation was to determine the extent to which IESC had attained the Grant objectives; to assess the institutional capacity/effectiveness of IESC; and to make recommendations on IESC's future relationships with the USAID.

Methodology Used. The methodology consisted of i) a review of project documents and IESC files; ii) a questionnaire survey to assess quantitative and qualitative impact on client operations; and iii) interviews with USAID's PED officers; with IESC/Kenya senior personnel; with similar business assistance programs in Kenya and with IESC's American Business Linkage Enterprise (ABLE) clients.

Findings and Conclusions. IESC attained most of the objectives of the Grant. Its VE program was well executed but almost all other aspects of its technical assistance program could have been improved. There were major deficiencies in its institutional capacity and recurring conflicts with the Kenya Mission on program management issues. The strengths, benefits, weaknesses and limitations of the program are summarized below:

- On the positive side, all but one of the assisted firms met the eligibility requirement of being majority-owned by private citizens. The project exceeded its Volunteer Executive (VE) targets of 20 interventions per year, delivered most of its assistance to small and medium-sized clients, and provided TA to all of the stipulated priority groups. Eighty percent of the assisted firms paid more than the minimum fee. The bulk of IESC's consultancies fell within the required 1 - 3 month level of effort range stipulated in the PED Grant.

- The qualitative impact of the VE program was commendable. VEs' skills were well matched to client needs. On average, 90% of the respondents were impressed with the level of professional expertise and experience of the VEs. IESC also effectively transferred new technical skills and technology to clients. Sixty-seven (68%) of the 99 firms interviewed confirmed that they had acquired new technology, some through the transfer of skills and others by using new management systems or machinery.

- Clients appeared to have benefitted most from technical assistance directed at improving their production capabilities. Firms also showed moderate increases in employment, revenues and assets after IESC assistance had been delivered. The program is cost effective: it is less expensive that the average AID contractor and offers high calibre expertise for the service it delivers.

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• IESC should upgrade its Monitoring and Evaluation (M&E) system. The field office's client tracking system, recording of impact data and its monitoring of client implementation of VE recommendations should be computerized as soon as possible.

• IESC should adopt accounting and financial systems and practices which allow the field office to prepare expenditure and performance reports in a timely manner. The field office should be capable of generating its own financial statements and should not have to rely on HQS' centralized reporting system for its monthly or semi-annual reports. Staff skills should be upgraded in line with the recommendations to establish more reliable and effective database, accounting and financial systems.

• IESC should continue to concentrate on marketing VE services to small and medium sized firms. ABLE services should be targeted at large clients that can afford to pay full costs and possess management and financial resources to follow-through on market or production opportunities presented in ABLE reports.

• Joint Venture Services should be deleted from the program until Kenya's political and economic environment are stabilized. Funds assigned for both ABLE and Joint Venture work should be re-assigned for VE interventions.

• USAID should increase its maximum funding level to ensure that the field office covers all of its technical assistance, administration, and HQS' VE recruiting costs because in-country deficits cannot be financed by HQS under the USAID core grant.

• IESC should encourage clients to become more involved in the identification and preparation of the scope of work for VE volunteers. The field office should also avoid undertaking projects for which services can be obtained locally.

1. <u>Lesson Learned.</u> Projects that are designed with without clear performance indicators or eligibility criteria are more likely to attain their quantitative targets than focussed ones. However, they are also less likely to have a measurable impact on economic activity in selective sectors.

2. <u>Lesson Learned.</u> Group projects needed to be carefully defined to ensure that the VE can provide an adequate amount of individual attention to each client; otherwise the approach can be counterproductive.

3. <u>Lesson Learned.</u> It is extremely difficult to isolate and measure the impact of firm level assistance on assisted firms. Other internal and external factors, such as management competence, technical skills, financial resources, economic trends and political considerations are beyond the control of TA programs but often have stronger effects on the performance of private sector firms.

4. <u>Lesson Learned.</u> Greater emphasis should be placed on monitoring the extent to which clients have adopted recommendations developed as part of firm level interventions. Such an approach allows projects to determine the relevancy of the technical assistance delivered, the responsiveness and commitment of clients and the emergence of unexpected constraints to implementation.

SECTION A

APPROACH TO EVALUATION

1.0 BACKGROUND

On June 9, 1992, REDSO/ESA/RCO issued two purchase orders to Michael Julien, evaluation specialist and team leader and John Mukui, survey data specialist - to carry out the final evaluation of the IESC component of the PED Project. The purpose of the evaluation was to assess IESC/Kenya's impact on client firms and to determine its institutional capacity/effectiveness. The evaluation was also expected to provide recommendations about future IESC/USAID relationships and suggest changes in approaches and practices that could be adopted in a potential follow-on component under the PED II Project.

2.0 SCOPE OF WORK

Under the Scope Of Work, described in Purchase Order No. 615-0238-0-00-2045-00, the evaluation team was required to address various questions about IESC activities. Principal issues included:

- The extent to which IESC had achieved the outputs described in its PED grant: number of clients assisted, priority business reached, client fees paid, type of technical assistance provided and length of consultancy.
- The impact of assistance on client operations: qualitative enhancements in production, marketing and management; acquisition of new technology and quantitative increases in sales, employment, assets, export earnings, products offered and markets and clients served.
- The degree and adequacy of IESC/Kenya's institutional development, its strengths and weaknesses and the potential for organizational sustainability.
- The extent to which IESC services have met the needs of firms in sectors targeted for priority assistance by USAID/Kenya and whether modifications should be made to IESC's focus and operational procedures to improve effectiveness.

A complete description of the SOW for this evaluation is contained in Appendix A: IESC Final Evaluation, Scope Of Work, to this report.

3.0 METHODOLOGY

The methodology for this evaluation consisted of i) a review of project documents and IESC files; ii) a questionnaire survey to assess quantitative and qualitative impact of VE assistance on client operations; and iii) interviews with USAID's PED officers; with IESC/Kenya senior personnel; with similar business assistance programs in Kenya and with IESC's American Business Linkage Enterprise (ABLE) clients.

a. Documents Reviewed

The team reviewed an extensive list of documentation on IESC activities since project inception. This included IESC correspondence with USAID; client records, financial registers, monitoring and evaluation records; and IESC Headquarters correspondence, Project Implementation Letters (PILS), purchase orders and grant amendments.

We also scanned a number of impact evaluations of AID-funded IESC programs in Central America, Southern Africa, North Africa and the Caribbean. We examined information on similar services offered by European and Canadian overseas executives advisory organizations and carried out cursory assessments of Kenya's economic position in 1987 and its current economic status for comparative purposes. A detailed list of Documents Reviewed is provided in Appendix B.

b. Interviews

To develop an understanding of management roles, tasks and responsibilities of key institutions, we interviewed PED Project officers at USAID, IESC/Kenya personnel, and IESC/Headquarters executive officers visiting Kenya at the time of this evaluation. The majority of IESC's Volunteer Executive (VE) clients were interviewed through the questionnaire survey. In addition, key informant interviews were conducted with four VE clients who were in the process of receiving VE assistance.

The team held discussions with managers of other firm level assistance programs, obtained feedback from VEs on assignment in Nairobi and met with consulting firms which offer similar technical and management consulting services to the private sector. A comprehensive list of Persons Interviewed in presented in Appendix C.

c. Questionnaire Survey

The IESC Questionnaire Survey was an integral part of this evaluation. The purpose of the survey was to determine the degree of impact (improvement) of IESC's VE assistance on client firms. The questionnaire was developed to obtain information on i) quantitative impact, ii) improvements in business practices and capabilities and iii) VE effectiveness and efficiency.

USAID was actively involved in establishing criteria and shaping the focus, priorities, approach to and content of the survey. The PED Project team provided advice and guidelines on i) preselecting, classifying and eliminating IESC clients from the population to be sampled and ii) adopting specific sampling techniques. However, although the evaluation team was initially responsible for developing the questionnaire, the final document was prepared by USAID. Mission concerns about sample size, statistical validity and uniform measurement were subsequently incorporated in the sampling and questionnaire development process and are explained in detail in Volume Two, Results Of the Survey Questionnaire to Measure IESC Impact On Client Operations.

4.0 DATA LIMITATIONS

Three exogenous factors limited both the scope and interpretation of the data obtained in the survey: a) inconsistency in the type and availability of baseline data for some key performance indicators and b) difficulties in establishing the degree of correlation between IESC technical assistance and quantitative changes in client performance and c) differences between analysis of IESC records and survey findings.

a. Inconsistency in Baseline Data

For the first two years after the IESC grant was authorized in 1987, IESC recorded sales and employment data as part of its normal data collection and evaluation process. During that period, USAID offered minimal guidance on an IESC baseline data and monitoring system to measure client impact. In September 1988, USAID asked IESC to maintain data on the percentage of export sales and a breakdown of part-time employees, full time employees, family members and gender. The IESC Country Director at that time agreed to, but never collected the data.

In March 1991, USAID instructed IESC to establish a monitoring and evaluation system on employment generation, annual sales increases, investment increases and increases in foreign exchange for the remaining Life Of Project (LOP). IESC's records show that in at least 60% of the files, the data requested by USAID was collected only once, at the first six month interval after assistance had been delivered. As a result, annual data reflecting changes in employment generation, sales etc., for many of the clients was not available and had to be collected during the survey.

b. Determining Correlation between Assistance and Impact

The relationship between IESC assistance and changes in quantitative results was difficult to establish in the absence of an assessment methodology which included control client groups. Therefore the evaluation team could not determine whether IESC assistance alone had led to increases in sales, employment, investment and foreign exchange earnings. Furthermore, in the absence of a comprehensive monitoring system, the evaluators were unable to isolate the effects of other influencing factors on client performance, such as fiscal incentives, regulatory constraints, availability of credit, economic trends or political considerations. For these reasons the survey results reflect the extent to which IESC was <u>associated with</u>, rather than <u>caused</u> improvements in client performance.

c. Differences between IESC Records and Survey Findings

A comparison between our findings under 2.0 Analysis of IESC Operations and Section 3.0 Survey Data Analysis produced two areas of differences in data analyzed by our evaluation team. The first difference occurred between the number of interventions reviewed and the number of clients targeted by the survey. Under 2.0 Analysis of IESC Operations we assessed IESC operations by examining 116 VE project files. These files represented all of IESC interventions since PED funding began and made up the total number of interventions to

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commercial firms, group recipients and private sector development institutions (PSDIs). In contrast, the scope of the questionnaire survey covered 99 clients: 92 commercial firms, a group project counted as one of the 92 firms, and seven Kenya Management Assistance Project (K-MAP) group clients. The key reason for the differences in data population, in terms of the number of interventions vs. the sample size of clients selected for the survey, was that some clients had received IESC assistance on more than one occasion. Therefore the number of interventions and VE Project files was greater than the number of clients assisted.

A second set of differences occurred because of the varying degrees of responses to questions in the survey. For instance, of the total of 99 clients surveyed, 54 provided complete responses, 17 provided partial responses while 28 were non-responses. This made it difficult for us to reconcile quantitative conclusions drawn from our analysis of project files with those drawn from our survey since the number of clients who responded to the various questions in the survey varied from question to question - the frequency of response for many questions was different in most instances. In comparison, our analysis of the 116 project files was based on a fixed "population" ie., a constant sample size. We have therefore avoided making comparisons between conclusions drawn from the two sets of information.

5.0 REPORT STRUCTURE

We have presented our report in two volumes. The first volume (this document) consists of an Executive Summary and the following six sections: Section A: Approach To Evaluation; Section B: Project Overview; Section C: Findings; Section D: Major Conclusions; Section E: Principal Recommendations and Section F: Lessons Learned.

The complete results of the questionnaire survey are presented in Volume Two, Results Of the Survey Questionnaire to Measure IESC Impact On Client Operations. A summary of the main conclusions and findings is presented in Section C, Findings 3.0 Survey Data Analysis. Volume Two also contains lessons learned about questionnaire design, survey organization, and limitations in the measurement of firm level assistance programs, a synopsis of which is presented under Section F. Lessons Learned.

SECTION B

PROJECT OVERVIEW

1.0 THE PED PROJECT

a. Context of the PED Project

The Private Enterprise Development (PED) Project was designed in 1986-87 against the background of the need to generate economic growth in Kenya's commercial and industrial sectors. This need was especially urgent in Kenya because of its rapid population expansion and increasing constraints in its key productive sectors. At that time the country was recovering from a period of economic stagnation and had to depend upon consistent private sector-led growth for future economic prosperity.

By 1984, the USAID Mission to Kenya had made private sector development an ubiquitous theme in its programs. In its Private Sector Strategy Statement (PSSS) of September 1985 the Mission identified the need for more efficient use of existing resources and specifically underscored the importance of a strong business support environment in private sector development. The Strategy Statement identified finance, management, entrepreneurship and investment policy and promotion as priority areas for A.I.D assistance. These areas became the underlying focus of the PED Project.

b. Summary of PED Project Description

PED was authorized as a seven-year $25 million grant program on May 6, 1987. The goal of the Project is to increase growth among Kenya's private for-profit enterprises. The purpose of the Project is to i) strengthen institutions that could improve Kenya's business environment and ii) encourage growth among Kenyan businesses by enhancing the financial and advisory assistance provided by those institutions. The Project is implemented through three components: Policy and Investment Promotion; Equity Capital Institutions; and Management and Entrepreneurial Development.

The Management and Entrepreneurial Development component consists of three grant elements: a $5.8 million grant and core contract for the Rural Enterprise Program (REP); a $560,000 grant for the Kenya Management Assistance Program (K-MAP) and a $1.7 million grant to IESC.

2.0 PED ASSISTANCE TO IESC

a. The IESC Grant

In June 1987, the USAID Mission to Kenya authorized a seven-year $1, 728,000 PED grant to IESC to provide funding support for a program of technical assistance to small and medium sized modern sector businesses. The objectives of the grant are to improve the capabilities of Kenyan companies in production, finance, and related areas by using experienced IESC-registered volunteer executives (VEs) to transfer technological expertise from the U.S to Kenyan companies.

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There were two primary reasons for the grant: 1) Kenyan firms needed to upgrade their technical knowledge and management expertise but had limited access to such services locally, and 2) IESC could offer an effective mix of high-calibre advice that were most lacking in Kenya. The grant would allow IESC to offer services at affordable fees and reach a greater number of small businesses in need of this type of assistance.

IESC was required to focus on agribusinesses, export businesses and labor-intensive firms. IESC was encouraged to offer group projects to small firms with similar needs through private sector development institutions (PSDIs) and trade associations. Kenyan citizens were expected to hold majority shares in IESC-assisted companies. Most of the assistance was to be directed at companies with production and operational related problems. Other types of expertise - such as marketing for export businesses, strategic planning and personnel management - would be supplied but were not expected to be a priority under the Grant. IESC could also continue to provide its services to clients that did not meet grant requirements providing that grant funds were not used to assist such firms.

b. IESC Grant Targets

One hundred and forty companies (20/year) were targeted for assistance over the seven-year LOP. In September 1988, IESC submitted an unsolicited proposal to add two more programs - American Business Linkage Enterprise (ABLE) and Joint Venture Services (JVS) - to its PED-funded operations. Both services were made eligible for funding through Grant Amendment No. 4 on July 31, 1990. Consequently, IESC targets were broadened to consist of 140 VE consultancies plus 10 ABLE (research) services, 4 JVS' and one JVS follow-up for each of the four years, 1990 to 1994.

c. Financing Plan

At first, IESC/Kenya's funding needs were based on i) the target of 140 VE consultancies; ii) estimates of its operating costs per year and iii) projections of average client contributions per VE assignment. Table I classifies projected USAID, client, and IESC/Headquarters (HQS) contributions after ABLE and JV services were incorporated under the Grant in 1990.

TABLE I
PED Grant To IESC
Estimated Total Costs In U.S. (000) Dollars

Cost Element	USAID	Clients	IESC	Total
1. VE Consultancies	1516.4	948.0	2380.0	4844.4
2. ABLE Services	54.0	54.0	-	108.0
3. JV Services	175.6	95.6	80.0	351.2
4. Contingencies	47.5	-	-	47.5
Total	1793.5	1097.6	2460.0	5351.1

Source: PED Grant Amendment No. 4. July 31, 1990

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In July 1990, the original funding estimate of $1,728 000 was increased to $1,793,535. The change reflected adjustments to IESC's volunteer consultancies line item and the inclusion of ABLE and JVS project activities. In September 1990, total obligations were increased by $10,000 to $1,803,535 after USAID agreed to finance procurement of a computer system through Grant Amendment No. 5.

d. Establishing Fee Rates

The Country Director was authorized to set client fees based on his/her judgement of each firm's ability to pay. However, the PED grant stipulated that the minimum fee for an average ten-week VE assignment should be Ksh. 48,000 ($3,000) and that the average fee be Ksh. 80,000 ($5,000). USAID would consider exceptions to the minimum fee in advance and only on a case by case basis.

These guidelines were modified as part of the July 31, 1990 Grant Amendment No. 4 to clarify that the estimated average fee was not a maximum rate to be quoted. The field office was encouraged to seek client fees of Ksh. 230,000 ($10,000) or higher from firms with the capacity to bear a greater share of VE project costs. For ABLE services, clients were expected to contribute between $1,000 - $1,700 or approximately (50%) of the total outlay for research assignments. Companies would be asked to pay an average of $6,500 or about 25% of the estimated costs for a JVS and follow-up service.

Initially, USAID agreed to reimburse up to $10,000 for the completion of each technical assistance (VE) project; to finance up to $1,700 or 50% of each of the ABLE research assignments; and to fund up to $10,000 and $3,900 for each JVS and JVS follow-up assignment respectively. IESC/HQS was expected to fund up to 48% ($13,500) of each VE consultancy and 27% ($5,600) of each Joint Venture Service. USAID revised its maximum reimbursement for VE consultancies to $11,845 in October 1989 after adjusting per diem rates for inflation.

USAID verified client contributions by having IESC submit copies of cheques issued by clients for VE or ABLE services. IESC was responsible for financial management and accountable for utilization of PED Grant Funds in accordance with Grant provisions.

3.0 ORGANIZATION AND OPERATIONS

a. IESC Worldwide

IESC was launched in 1964 as a private voluntary organization (PVO) which sent retired business executives to help individual businesses in the Third World. Over its 27-year history, it experienced consistent global growth in organizational capacity, markets served, and services. Between 1964 and 1991, IESC increased its areas of expertise and expanded its network of executives from 8,000 to over 14,000 volunteers. It added Trade and Investment Services (TIS) and Market and Technology Information (MTI) to broaden the base of its original Technical and Management Assistance and Training program and expanded services to the emerging democracies of Central and Eastern Europe. IESC, from its first three assignments in Panama and 29 projects in 12 countries in 1965, now covers 52 countries with 45 VE recruiters from its Stamford headquarters.

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Highlights from its 1991 Annual Report show that IESC's main accomplishments came from its VE, ABLE, JVS and TIS programs:

- 1500 VE Consultancies to 1050 clients
- 167 ABLE research reports for clients
- 100 Joint Venture/Co-venture Services
- 23 new worldwide TIS Programs

While the bulk of activities consists of one-on-one VE projects, the organization also delivers specialized assistance in public administration, business training, privatization of state-owned enterprises (SOEs), trade and investment, defence conversion, technology access and market information. Most of IESC's organizational and management costs for VE projects are financed under a multi-year USAID Core Grant funded through AID/Washington.

b. IESC in Kenya

Since 1973, IESC/Kenya has been providing VE assistance to local firms. Between 1973 and 1980, the field office averaged 7 projects per year. The organization experienced a hiatus from 1980-82 but resumed operations in 1983 with a Country Director and support staff. Between 1983 and 1986 the field office completed a wide range of consultancies for various industrial and commercial firms. These included 6 consultancies in 1983-84, 7 in 1985 and 11 during the first nine months of 1986.

Budgetary constraints forced the program to limit the number of clients assisted and raise client fees to cover increasing operating expenses after resuming operations in 1983. Less consultancies were offered to small firms. Instead, the field office concentrated on larger companies that could afford to pay higher fee rates. The PED Grant financed a greater share of IESC's local costs so that it could refocus its assistance on smaller businesses by marketing its VE services at affordable rates to such clients.

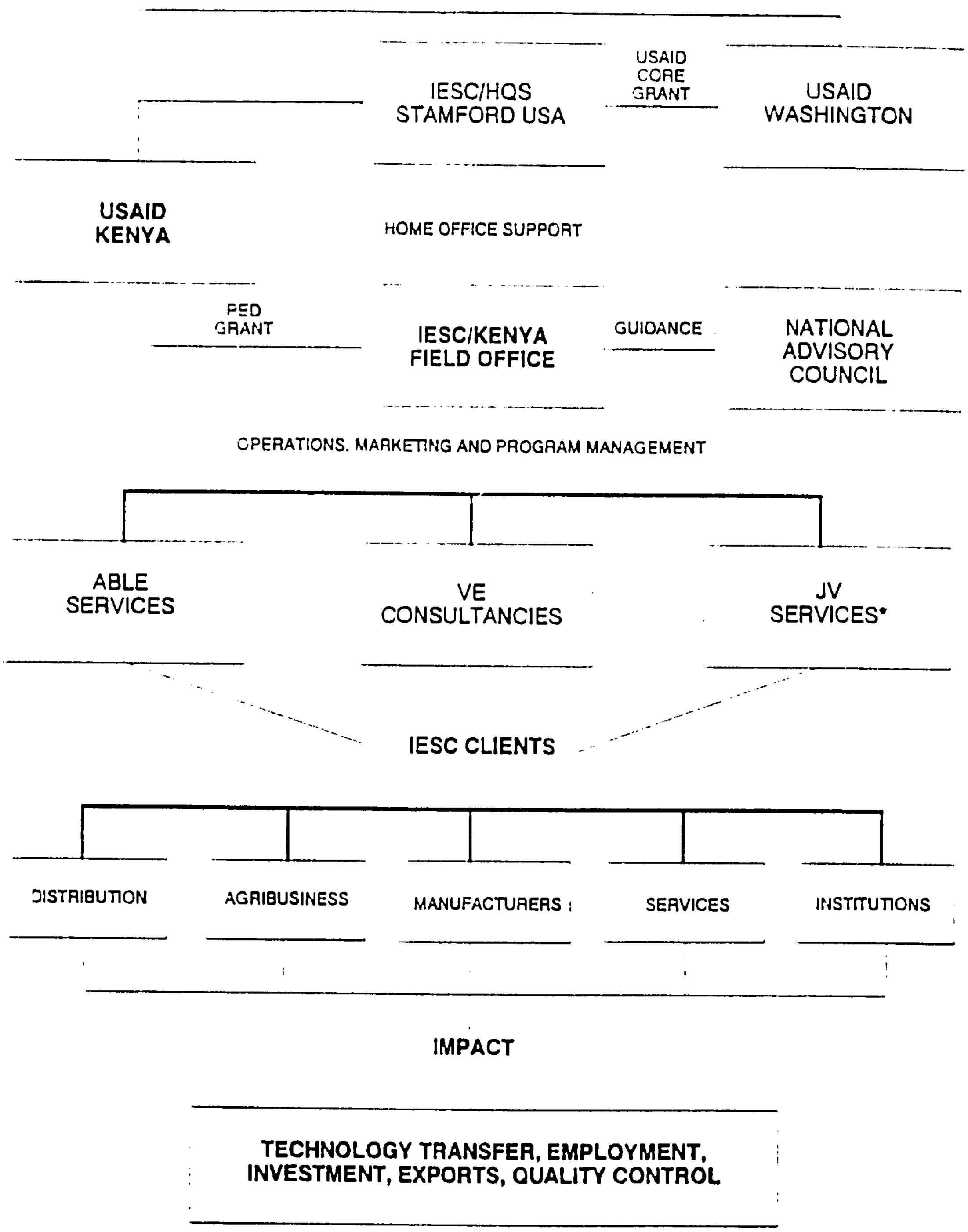
c. Organizational Structure

Most field operations are highly decentralized. Country Directors (CDs) are allowed to develop their own work plans, marketing strategies and service programs. In Kenya, where local operations are supported through an in-country grant, the CD has the authority to negotiate and manage project-funded activities with the USAID Mission. Chart I, Organization and Operation Structure, provides an overview of IESC/Kenya's implementation framework under PED.

d. Field Office Responsibilities

Field office responsibilities are governed by a combination of institutional relationships with HQS; by HQS' global reporting and monitoring requirements; by HQS' commitments to USAID/Washington under the Core Grant; and by IESC/Kenya's in-country obligations to the USAID Mission To Kenya under the PED Grant.

CHART I
IESC/KENYA ORGANIZATION AND OPERATION STRUCTURE



* NOT ACTIVATED
SOURCE: IESC AND USAID DATA, JUNE 1992

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Responsibilities to IESC/HQS

The Country Director has full responsibility for field office activities because of the specialized nature of IESC's services and its deliberate strategy to facilitate short-term interventions from the U.S. In this way the organization claims to avoid incurring excessive costs associated with a large technical field presence.

The CD's basic objective is to obtain enough quality projects with an average per-client contribution per project sufficient to ensure that the program is successful and cost effective... " *The aim, in the end, is to have numerous quality project completions"....* (IESC Policy and Procedures Manual.) The Country Director's functions include marketing, office operations, project operations and diplomatic liaison activities.

Responsibilities to USAID/Kenya

From USAID's perspective, IESC/Kenya has four primary responsibilities: 1) targeting its services to PED priority clients; 2) maintaining acceptable levels of client contributions; 3) providing adequate monitoring and evaluation reports on client performance and impact and 4) using PED Grant resources for eligible expenditures in a cost-effective manner.

In line with AID project management and monitoring requirements IESC is supposed to provide USAID with monthly reports containing a description of its activities, client assessment reports and semi-annual client impact reports. IESC also has to submit audited accounts for its Headquarters and for IESC/Kenya and must prepare a comprehensive end of project report due in July 1994. In addition, the Country Director (CD) has to meet regularly with AID project staff to discuss on-going operations, administrative and financial issues.

e. Marketing and Operations

The Country Director uses a multifaceted combination of formal and informal marketing techniques to promote services. Formal methods include attendance at Trade Shows; speaking engagements at business functions; press releases; and mailings of "IESC NEWS" to former and prospective clients. Less formal but often more effective mechanisms include networking and referrals through IESC's National Advisory Council (NAC) members and grapevine leads at social gatherings. In addition to her own initiatives, the CD augments her marketing efforts by using a part time Project Officer to target new clients.

The field office prefers to initiate most of its contacts and assess client viability before making a conditional offer of assistance. The Country Director uses her business experience to evaluate management acumen, owners' reputation, track record and the physical condition of business premises of prospective clients. In practice, determining potential and discussions on the formal offer occurs simultaneously as part of a series of preliminary meetings to identify client needs, clarify the scope of each firm's problems and agree on the type of assistance needed.

The CD's diagnostic work is the most critical aspect of the program. Frequently, the Country Director finds that the client's actual needs and priorities are significantly different from those initially stated by the firm's management. Once a decision is reached on the type of technical assistance needed, the Director prepares an agreement detailing the nature of the problem or constraints, the estimated level of effort, and VE skills required. The CD also appraises the client's ability to pay for services by asking questions about sales levels, business size, stage of operational development and current financial performance or profitability. The client's contribution is agreed upon prior to signing an Agreement for VE assistance.

As soon as the client approves the scope of work, the CD submits the original agreement to Headquarters in Stamford. Headquarters approves the proposal and processes the request through its recruiting department after ensuring that the assistance requested meets its USAID Core Grant criteria. The department contacts and pre-screens 3-6 VE candidates, then sends one resume to IESC/Kenya for CD clearance and client confirmation. Once the firm agrees to use the recommended candidate, it must pay a minimum of 50% of its contribution (fees) at least four weeks before the VE is due to start the assignment.

After agreements are signed, there is a lead time of 2-6 months before assignments begin because of logistics, organizational processing and VE availability in the U.S. On arrival, the VE is briefed and introduced to the client. The Country Director coordinates, monitors and assists the VE with his/her assignment. She attends work plan meetings, reviews progress reports and participates in client reviews. The CD also obtains a confidential client report on each VE's performance and provides Headquarters with a field office appraisal of the quality of each volunteer's work.

f. <u>Piggyback and Group Projects</u>

IESC arranges for piggyback or group projects to minimize in-country VE consultancy costs to clients. Piggyback projects usually last about one month or less and are undertaken by a VE after completing another project in the same or in an adjacent country. For group projects, IESC would provide one VE for intensive support to 4-8 clients in the same line of business who would use the VE for 1-7 days each.

Between 1987 and 1992 the field office completed 4 group projects and a limited number of piggyback projects. The usefulness and value of this approach is discussed under Section C. Findings. 2.0 Analysis Of IESC Operations, c. VE Consultancy Services. Group Projects.

g. <u>ABLE Services</u>

The American Business Linkage Enterprise (ABLE) is an IESC/HQS-based information service designed to provide low cost custom-tailored research for individual clients. ABLE research reports offer market and technology information, equipment sourcing and pricing, U.S.-based searches for joint venture partners, and assistance in establishing marketing links in the U.S. The service is based on an average LOE of 40 hours of research time although HQS time spent on accessing information can be spread over 2-6 month periods.

Globally, ABLE projects are classified in five groups: export development; new business development; new product development; joint venture and co-production and equipment purchase. In the case of Kenya, two of these five services - export development and new business development - were promoted to or requested by prospective clients.

Between 1987 and 1992, IESC/Kenya completed 8 ABLE projects. ABLE services and its constraints and limitations are discussed under Section C. Findings. 2.0 Analysis Of IESC Operations, k. ABLE Services, page 26.

Assessment of client needs and the potential for ABLE projects mirrors the standard approach used for VE project pre-screening: The Country Director evaluates client requirements and then develops a description of the type of assistance needed. The field office collects a down-payment of $500 from the client prior to submitting the research request to IESC/HQS' ABLE Department. In most cases, the Department requests various kinds of information from the Country Director before and during the process of conducting research work for the client. Once the report is completed, the client is required to pay the remainder of the ABLE fee before the document is released by the field office.

h. Joint Venture Services

Joint Venture Service (JVS) sub-projects are supposed to leverage the unique credibility of IESC VEs and their ability to access U.S companies to promote joint ventures between American firms and companies in developing countries. The JVS program is designed to bring VEs from the U.S. to Kenya to assess first-hand, the operations of client firms interested in developing joint ventures with U.S. firms. According to the Country Director, the program purpose is to help local firms assess their strengths and weaknesses and to help them prepare promotional material to attract foreign partners.

i. HQS Support

IESC/HQS' primary operational role is to recruit Volunteer Executives for overseas assignments. HQS approves field office budgets and work plans, prepares accounting and financial reports, offers guidance on database management and, in the case of ABLE and JVS assignments, handles all U.S.-based services. Headquarters also gives advice on operations and acts as a clearing house for client enquiries both before and after VE assistance is provided.

SECTION C

FINDINGS

1.0 INTRODUCTION

Section C, Findings, represents the major focus of this evaluation. It provides assessments and conclusions on key issues raised in the SOW. This section consists of an analysis of IESC's operations during the grant period and analyses of achievements, consultancies provided, sectors served and types of firms and organizations assisted.

Our findings on IESC's impact on client operations, based on interpretation of data from the questionnaire survey and from existing client files, are also summarized in this part of the report. Finally, Section C offers an assessment of IESC's institutional capacity and effectiveness; and an appraisal of Grant content, USAID's monitoring, guidance and oversight and IESC/Kenya's compliance with AID requests and requirements.

2.0 ANALYSIS OF IESC/KENYA OPERATIONS

a. Approach to Evaluating IESC/Kenya Operations

The evaluation team's approach to evaluating IESC/Kenya operations consisted of a review of the scope of activities funded under the PED Grant; an assessment of progress against quantitative targets; assessments of VE services; client fees; group project interventions; and ABLE and Joint Venture Services.

b. Focus and Priorities

PED financial support was made available so that IESC could offer technical assistance to small and medium-sized businesses at affordable rates. VE consulting services were to be provided to Kenyan-owned small businesses, agri-businesses, export businesses and labor intensive firms. In 1990, the range of priority clients was expanded to include women-owned/managed companies and firms located in rural areas. To improve cost-effectiveness, IESC was to propose group projects to firms with similar needs through associations, development banks or other business organizations.

The spirit and intent of the PED project was to enhance the private sector's capabilities to increase productive capacity, income and employment. This commitment was repeatedly expressed in the PED Project Paper (PP) and in the Program Description of the IESC Grant Agreement. USAID expected the field office to focus most of its assistance on firms with production and operational constraints. As mentioned before, expertise in marketing, strategic planning, financial planning and personnel management would be made available but was not expected to be emphasized by IESC/Kenya.

c. <u>Scope Of IESC Activities</u>

Kenya's field office activities, like IESC's global operations, are centered around the marketing and delivery of VE consultancies. In Kenya, VE projects account for over 90% of IESC interventions although ABLE and JVS have been available since 1989.

VE projects dominated IESC's efforts between 1987 and 1992. The Country Director spent less than 5% of her time on other activities. Total assistance consisted of the following: 116 VE consultancies and 8 ABLE assignments funded under PED; 8 VE consultancies financed under the Rural Private Enterprise Project (RPE); 3 VE consultancies fully paid by parastatals and 2 ABLE assignments fully paid by clients in 1989. A summary of Starts, Canceled and Completed VE projects is presented in Table II.

TABLE II
IESC Annual VE Project Starts, Completions and Cancellations
July 1 - June 30

Category	1987/88	1988/89	1989/90	1990/91	1991/92	Total
1. Starts	28	29	35	25	23	140
2. Completed	18	27	30	26	26	127
3. Canceled	5	20	7	15	17	64

Source: IESC Headquarters. Project Display System. June 1992

Project "Starts" are assignments originating but not necessarily completed within each June - July period. "Completed" projects are VE consultancies that are finished but not necessarily started within that fiscal year. "Canceled Projects" are IESC Agreements which were terminated, usually by the client, before the VE was supposed to leave the U.S.

HQS does not record field office "Starts", "Completed" and "Canceled" data on an accrual basis. Consequently, the number of completed projects is not the net difference between the Starts and Canceled projects. This confined data analysis to annual trends within each category. Project "Starts" peaked in 1990 at 35 but, in 1991 and 1992, declined to 72% of the 1990 total.

The Country Director attributes the leveling-off of new projects to two factors: 1) a downturn in private investment caused by uncertainty over Kenya's political future and 2) a trend by some potential clients to transfer proposed investments to Uganda and Tanzania to take advantage of the turnaround in the investment environment in those countries.

Our analysis indicated that agreements were prematurely terminated because clients defaulted on prepayment of fees or because they chose to use competing services, like the British Executive Service Overseas, that were less costly. Still, the number of completed projects remained relatively constant over the last four years - despite the decline in new Starts and the more than two-fold increase in Cancellations between 1990 and 1992.

d. Progress Against Targets

Consultancies were to be provided to 140 companies over the seven-year Life Of Project at an average rate of 20 per year. As mentioned earlier, the July 1990 Grant Amendment No. 4 extended PED funding to 10 ABLE services, 4 JVS' and one JVS follow-up for each of the four years, 1990 to 1994. Table III represents IESC accomplishments against these targets.

TABLE III
PED-IESC Grant Targets and IESC Accomplishments
July - June

Category	1987/88	1988/89	1989/90	1990/91	1991/92	Total
1. VE Projects:						
Target	20	20	20	20	20	100*
Actual	18	24	24	24	26	116
2. ABLE Services:						
Target	n/a	n/a	n/a	10	10	20
Actual	n/a	n/a	n/a	2	6	8
3. JV Services:						
Target	n/a	n/a	n/a	4	4	8
Actual	n/a	n/a	n/a	0	0	0

n/a = not funded under PED until 1990/91.
* Annual total of VE consultancies projected at 20 over 7-year LOP.

Source: IESC Data & PED Grant Amendment No. 4

When compared with IESC programs in Morocco and the Eastern Caribbean, the Kenya average of 23 VE projects per year was higher than Morocco's (18/year) but less than the Caribbean's (36/year). We must point out, however, that IESC's Eastern Caribbean program involves intensive piggy-back projects, each lasting approximately 2 weeks, to help groups of clients who do not compete with each other outside of their island territories. This is the reason why the Caribbean's annual average is so much higher than Kenya's or Morocco's.

e. VE Consultancy Services

Our assessment of VE services consisted of an in-depth examination of 116 client files on assistance provided over the first five years of the PED Grant. We categorized the data into six groups: Agribusiness, Manufacturing, Tourism, Distribution, Services and Private Sector Development Institutions (The Manufacturers' Association, Fresh Produce Exporters Association. Chamber of Commerce etc.,). We chose these categories because they represent actual business sectors to which IESC/Kenya provided assistance and because they are similar to IESC's classification system, described in its Policy Manual, for monitoring and measuring impact.

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In this section we have attempted to show the degree to which the field office targeted small firms as expected under the Grant. We have also generated data on markets served, fees paid, and gender characteristics of assisted firms.

f. Eligibility Criteria

To benefit from IESC assistance, potential firms or organizations must be majority-owned by private Kenyan citizens. With the exception of one client, General Motors of Kenya Ltd, (GMK) all of the firms and institutions who responded in our questionnaire survey were majority-owned by Kenyan citizens. Although we were unable to determine the exact level of foreign ownership, there were no cases where foreign firms had substantial equity in IESC-aided firms.

g. Priority Areas of VE Assistance

Of the 116 VE consultancies reviewed, 58 (50%) were provided to a combination of agribusinesses, manufacturers, and tourism-related clients. PSDIs obtained sixteen (14%) of the consultancies while 38 service sector firms and 4 distributors received 33% and 3% respectively. Manufacturing and Services each received a third of the interventions and together accounted for 68% of VE services. In Manufacturing, IESC/Kenya assisted a diverse range of small, medium and large firms in the garment industry, furniture, leather, glasswork, plastics, towel, automobile parts, and other related sub-sectors.

As part of our questionnaire survey we also tried to establish the extent to which respondents had met various priority conditions stipulated in the Grant Agreement. These included assistance by client size, ownership by gender, rural priority, and markets served.

Of the respondents, small enterprises constituted the largest category of clients who received VE assistance: 14% of the respondents were micro-enterprises; 42% were small firms; 23% were medium-sized companies and 20% were large firms. A moderate proportion (29%) of the respondents were generating income from PTA and international markets. Of 77 firms who responded to questions on priority areas of business, 39 satisfied one priority area; 28 met two priority areas, 8 firms met three priority areas and 2 firms satisfied 4 priority areas as stipulated in the Grant.

In the service sector, IESC/Kenya helped banks, insurance companies, travel agencies, freight forwarders, management consulting firms, privately-owned hospitals, computer service companies and a stock brokering firm. Our observations about the number of interventions provided by company size, area of business, markets served, gender, geographic distribution, and labor intensiveness were derived from Tables IV - VII on the following pages.

Client Size

According to IESC files, fifty-eight percent of the field office's interventions went to firms with less than 50 employees (Table IV). Almost a third went to companies with more than 100 workers (large firms) with about half of that assistance directed at large manufacturing companies.

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TABLE IV
IESC/Kenya VE Consultancies By Client Size
(No. Of Employees)

Sector	Small < 50	Medium 51-100	Large > 100	Total	%
1. Agribusiness	7	2	5	14	12
2. Manufacturing	19	5	17	41	35
3. Tourism	3	-	-	3	3
4. Distribution	-	1	3	4	3
5. Services	26	3	9	38	33
6. Institutions	12	1	3	16	14
Total	67	12	37	116	100

Source: IESC/Kenya Client Records 1987 - 1992.

Table IV confirms that IESC/Kenya met one of the key expectations of the PED grant: it increased its clientele, particularly among small, modern sector businesses and support institutions. The Grant allowed the field office to register a three-fold increase in businesses assisted; that is, from its pre-1987 annual average of 8 clients to 26 clients by 1992. We noted that about a third of the interventions were provided to large firms although such clients were not intended to be beneficiaries of PED grant assistance.

We took into consideration that quantitative sectoral targets were not part of the PED Grant. Therefore, apart from client size, our analysis of other indicators reflects the results of an unstructured approach by the field office to reach its target of 20 clients per year. For example, IESC's assistance to larger firms was more a factor of its motive to achieve its annual VE project target than a deliberate attempt to offer subsidized support to more affluent clients. However, the number of large clients assisted each year between 1987 and 1992 remained relatively constant: There were seven interventions in 1987/88, six in 1988/89, eight in 1989/90, nine in 1990/91 and seven in 1991/92. The issue of whether large firms should have been offered subsidized assistance is discussed under sub-section f. Client Revenues and Fee Rates.

Markets Served

Two-thirds of the VE consultancies were received by firms and organizations that generate revenues and profits from the domestic market (Table V). Why was there such an imbalance in assistance to firms serving the domestic vs. export markets? This aberration is probably a reflection of i) national investment policies which, until recently, encouraged import substitution industries; ii) the lack of technology and market information which impede export development; and iii) the complexities of Kenya's regulatory framework which often discourage investment in export activities.

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TABLE V
IESC/Kenya VE Consultancies By Markets Served

Sector	Local Alone	Local & PTA	Local, PTA/Int'l	Int'l Alone	Total
1. Agribusiness	7	2	-	5	14
2. Manufacturing	23	13	4	1	41
3. Tourism	2	-		1	3
4. Distribution	3	1	-	-	4
5. Services	31	5	2	-	38
6. Institutions	12	2	-	2*	16
Total	78	22	7	9	116

* Fresh Produce Exporters Association Of Kenya.
Source: IESC/Kenya Client Records 1987 - 1992.

Table V shows that manufacturers received most of the interventions under the PED grant. Our review of project files, site visits, and interviews with VE volunteers indicated that manufacturers were probably more in need of VE assistance than other clients because of the limited availability of technical skills in Kenya. IESC/Kenya, USAID and PSDIs also point out that manufacturers are ill-equipped to proffer quality products in export markets for the same reason.

Rural/Urban Distribution

Twenty-seven consultancies were provided to agribusiness and manufacturing operations in such areas as Voi, Athi River, Thika, Kikuyu and Nyahururu (Table IV). The distribution of rural vs. urban clientele was an outcome of the nature of businesses assisted. For instance, almost all of the agribusinesses and one-quarter of the manufacturers are situated in rural areas to facilitate access to raw materials and cheaper labor. In contrast, 33 of the 38 service sector clients (87%) are located in Nairobi and Mombasa city centers.

TABLE VI
IESC/Kenya VE Consultancies By Geographic Distribution

Sector	Rural	Urban	Total	%
1. Agribusiness	11	3	14	12
2. Manufacturing	10	31	41	35
3. Tourism	1	2	3	3
4. Distribution	-	4	4	3
5. Services	5	33	38	33
6. Institutions	-	16	16	14
Total	27	89	116	100

Source: IESC/Kenya Client Records 1987 - 1992.

We do not expect the distribution of VE interventions to change unless USAID insists on a minimum number of VE projects in rural areas. Limiting factors in rural areas, such as poor infrastructure and communications, increased transport costs and lack of proximity to service centers, influence most firms to establish their operations close to urban locations where such services are more readily accessible.

Women-Owned and Managed Operations

While not stated in the Grant as an eligibility criteria or priority area for IESC assistance, we were able to obtain useful information on VE interventions to women-owned and managed firms. Women hold executive positions in one-third of all of the firms and PSDIs assisted (Table VII). They are more prominent in three of six sectors: manufacturing, services and institutions.

Thirty-three percent of the manufacturing and service sector interventions involved some degree of executive decision-making by women. Of a total of 99 VE assignments to companies, 28 went to women-owned/managed operations. Thirteen firms are owned (51% or more) by women and are managed by them; 11 are run by female executives and 4 are owned outright by women but managed by men. Women are also represented on the management boards of many of the assisted institutions. They have equity positions in one of 4 large firms, 11 of 18 medium-sized companies and 5 of 6 small firms.

Products sold by women-owned and managed businesses include cut flowers, building materials, garments, processed food, cosmetics and candies. In the service sector, women-owned/managed businesses included restaurants, private hospitals, small consulting firms, tour agencies and retail outlets.

TABLE VII
IESC/Kenya VE Consultancies By Gender

Sector	At Least One (F)	All Male	Total	%
1. Agribusiness	2	12	14	12
2. Manufacturing	10	31	41	35
3. Tourism	2	1	3	3
4. Distribution	1	3	4	3
5. Services	13	25	38	33
6. Institutions	10 (R)	6	16	14
Total	**38**	**78**	**116**	**100**

(R) Executive Members on Management Committees
Source: IESC/Kenya Client Records 1987 - 1992.

While USAID now wants the field office to maintain gender data by ownership, the evaluation team found that an assessment based on ownership alone did not reflect the equally important aspects of control over operations or participation in executive decision-making. Also, businesses owned but not managed by women are purely investments and are indicative of a minimum degree of their participation in such activities. Most importantly however, executive positions are reliable indicators of future trends in ownership and entrepreneurship. In our view, failure to include management statistics would eliminate the opportunity to spot emerging ownership trends in most small business sectors.

We concluded that the field office has been reasonably effective in providing assistance to businesses owned and managed by women. We agreed with the Country Director that such operations are usually small proprietorships which probably cannot afford the IESC minimum fee of $3,000. This constraint will limit the rate at IESC can provide VE consultancies to women entrepreneurs.

Agribusiness Consultancies

VE assistance to the agribusiness sector - farming, ranching, horticultural exporters and food processors - produced a variety of cross-cutting indicators which revealed the extent of benefits to this sector. Four of five PED Grant expectations were met: Of the 14 agribusinesses assisted more than 50% were had all of the following four characteristics: They were i) small and medium companies; ii) exporters to Preferential Trade Area (PTA) and international markets; iii) located in rural areas and iv) relatively labor-intensive operations. On the downside, the agribusiness sector registered the lowest proportion of women owners and managers because of traditional ownership and management patterns in that sector.

With the exception of one manufacturer and a hotel operator, agribusiness firms and institutions were the only clients exclusively involved in international exports. We suggest that IESC/Kenya continue to provide agribusinesses with assistance since VE consultancies have produced such a broad degree of coverage in this sector.

Labor Intensive Businesses

The evaluation team was unable to determine the degree of labor intensiveness of VE clients because neither USAID nor IESC/Kenya had established quantitative indicators for measuring and monitoring this variable. IESC defines a labor intensive industry as *"a manufacturing or agricultural activity that is dependent on extensive use of skill or unskilled labor to produce products"* (IESC Policy Manual). Of the 116 VE consultancies, fifty-six (47%) were provided to clients in the manufacturing and agribusiness sectors. In the absence of a clearer definition and related data, we were unable to draw any substantive conclusions about the degree of labor intensiveness of firms assisted under the Grant.

We also noted that definitions were not stated for any of the priority areas in the Grant. This created some difficulty for the evaluation team in classifying assistance delivered by priority area.

h. Client Revenues and Fee Rates

Earlier in this report we noted that IESC was expected to charge a minimum fee of Ksh.48,000; an average of Ksh.80,000 and a 'top end' fee of at least Ksh.230,000. The field office was left to determine each client's ability to pay and to negotiate fees for each VE intervention. To assess the level of fees paid, we reviewed 116 VE interventions. Of these, the field office had payment records on 88 consultancies. Of the other 28, there were no payment records for 15 while four had been provided free of charge as part of a Kenya-United States Association (KUSA) program. We excluded the most recent nine VE consultancies for 1992 from the analysis because we did not know what those costs were. (IESC had not yet billed USAID for related PED Grant contributions.) The 15 interventions with no fee records all occurred in 1987 and 1988 during the earlier years of the Grant.

TABLE VIII
Analysis Of No. of VE Consultancies By Client Revenues In Ksh.

Client Sales	< 1.5 M	1.5-30M	>30M	
Sector	Small Clients	Medium Clients	Large Clients	Total
1. Agribusiness	1	7	3	11
2. Manufacturing	5	14	13	32
3. Tourism	-	2	-	2
4. Distribution	1	-	1	2
5. Services	3	18	9	30
6. Institutions	6	5	-	11
Total	16	46	26	88 *
Percentage	18%	52%	30%	100

*No. of Project Files with Payment Records up to December 31, 1992
Source: IESC/Kenya Client Records 1987 - 1991.

Tables VIII and IX contain a two-stage analysis of fee rates for 88 of the 116 interventions. We first classified clients by revenue base since this was IESC's primary determinant for setting fee rates (Table VIII). We used the results to determine average fees paid and to classify payment frequencies by minimum, average and top-end fee ranges (Table IX). Unfortunately, we were unable to determine total and average VE consultancy costs per project inclusive of IESC Core Grant costs. The reason: details of Core Grant expenditures were not available on a per project basis. Consequently, our analysis in Table IX is restricted to total direct costs of VE interventions., ie. a combination of USAID's contribution and clients' fees paid.

Table IX revealed interesting information on fees and VE costs for the period 1987 - 1992. For instance, the average fee for small clients (Ksh. 127,874) was almost the same as that for large clients (Ksh.130,130). Large firms recorded

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the lowest average cost per client but the highest proportion (38%) of fees paid as a share of total cost. When size is measured by revenues (sales volume), medium-sized clients received the greatest subsidy, paid the lowest fees and were assisted more frequently than large companies, small firms, or organizations. Equally revealing, the majority (66%) of clients paid fees within the Ksh.80,000 to Ksh.230,000 fee range, ie. above the required average fee rate of Ksh.80,000.

Level Of Client Fees

Was the fee rate structure too low? The fact that 80% of the clients paid fees that were higher than both the minimum and average expected levels suggests that i) the fee structure was conservatively set; ii) the field office encouraged clients to pay higher fees for budgetary reasons and/or iii) the target groups, in terms of size and financial capability were larger than envisaged at the PED project design stage.

TABLE IX
Analysis Of VE Consultancies By Direct Costs and Contributions* In Ksh.

Client Sales	≤ 1.5 M	1.5-30M	>30M	
Source	Small Clients	Medium Clients	Large Clients	Total
1. Total USAID Contribution	5.144m	21.412m	5.529m	32.085m
2. Total Client Fees	2.045m	4.343m	3.383m	9.771m
3. Total VE Direct Costs	7.189m	25.755m	8.912m	41.856m
4. Average Client Fees	127,844	94,419	130,130	111,034
5. Av. Direct Cost Per Client	449,332	560,282	342,775	475,636
6. Fees/Direct Cost (%)	29%	17%	38%	23%
7. No. Of Projects:				
a. Fees < Ksh.48,000.	1	12	1	14
b. Fees Ksh.48-79,999.	2	5	6	13
c. Fees Ksh.80-230,000.	11	29	18	58
d. Fees > Ksh.230,000.	2	-	1	3
8. Total No. Of Projects	16	46	26	88

* Based on 88 Files with payment records up to December 31, 1991
Source: Evaluation Team Analysis Of IESC/Kenya Client Records 1987 - 1991.

We do not believe that fees were deliberately set at low levels. In another section of this report we illustrated how USAID funding fell far short of IESC's field office operating expenses. Consequently, the field office had to encourage clients to pay higher fees if only to minimize its claims on IESC/HQS contributions to meet deficits incurred on in-country assignments. On the other hand, the field office's desire for higher fees to offset operations expenses was neutralized to some extent by the tradeoff between higher fees and the desire to deliver the minimum number of projects to meet PED Grant targets.

In our opinion, fee levels probably exceeded expectations because most of the targeted firms were better off than anticipated and were therefore more capable of financing a greater share of VE direct costs. Also, within reasonable limits, the field office had to demand higher fees to make up for the shortfall in USAID funding under the Grant. According to IESC/Kenya, client fees collected were retained in Kenya to help cover operating costs of the program.

Implications For Reaching Small Clients

Two-thirds of the clients paid more than the average fee. Prior to the recent slide of the Kenyan exchange rate, the average fee paid in dollar terms was also higher than the $5,000 Grant requirement. Should the minimum and average fees be raised? Requests for higher client contributions will lead to greater emphasis on larger rather than the smaller client groups that are the primary targets of PED Grant assistance. Furthermore, current downward trends in Kenya's economy are not conducive to charging higher fees: the field office will have a much harder time at marketing its services in the near future even if it does not raise its fees. As we have pointed out in our analysis of project Starts, Completions and Cancellations, the private sector has adopted a 'wait and see' attitude as a cautious reaction to the recent economic downturn and also because of uncertainties about events leading up to general elections under a multiparty political system.

Client Size and Fee Payment

When size is measured by sales volume, we found that about two-thirds of each of the small, medium and larger client groups paid fees within the Ksh.80-230,000 range. However, because small firms were expected to be the only target beneficiaries, we assumed that the fee structure was set primarily for them and was not intended for large clients. In addition, USAID's rationale for providing private enterprise assistance is to offer technical services at affordable rates to emerging companies in need of such assistance, especially those involved in productive sector activities that generate foreign exchange, employment and new investment.

We question both the reason for and the purpose of providing subsidized technical assistance to large clients, especially to those involved in high cash flow operations such as banking, insurance and merchandizing in Kenya. Based on their annual revenues alone, there is little doubt that almost all of these companies have the financial wherewithal to source such services commercially or to pay the full costs of IESC assistance. In our view, IESC/Kenya digressed from the general goal and purpose of the PED project and the overall theme of USAID's private sector strategy by utilizing up to Ksh. 5.529 million of the Ksh. 32.085 million (17%) of USAID contributions (Table IX) to help large clients.

In summary, the decision to allow the Country Director to set fee rates for small clients has worked reasonably well and should not be changed. However, the field office should charge all clients with sales in excess of Ksh.30 million/year 100% of the total cost of all future interventions. IESC should also limit its AID-funded assistance to clients involved in productive sector activities. We do not recommend that fees be raised to small clients because such a strategy would contradict the Grant rationale for providing subsidized TA.

As mentioned under c. Scope Of IESC Activities, our findings suggest that IESC/Kenya is demanding about the maximum fees that such clients are prepared to pay: ... *the two key reasons why IESC Agreements were prematurely terminated was because clients failed to come up with the money or because they decided to use other services that were less costly...* .

i. Analysis Of Areas Of Expertise

In most cases, the range and type of VE expertise was determined by the nature of businesses assisted. For instance, almost all of the production-related consultancies were provided in the Agribusiness and Manufacturing sectors (Table X). In comparison, the Service and Institution sectors accounted for the majority of management-related interventions.

Our review of IESC files showed that management consultancies recorded the highest frequency of VE assistance. This occurred because IESC/Kenya's portfolio had a disproportionate number of service sector clients in its portfolio and because it also provided management assistance to agribusiness and manufacturing clients. The Grant Agreement anticipated that ..."*most of the assistance will be in the areas of production and operations*"... As the table shows, IESC did not achieve this expectation.

TABLE X
IESC/Kenya VE Consultancies By Type Of Expertise

Sector	Prod	Mgmt	Mkt'ng	Combined	Total
1. Agribusiness	8	5	-	1	14
2. Manufacturing	31	2	2	6	41
3. Tourism	-	3	-	-	3
4. Distribution	-	1	3	-	4
5. Services	-	31	1	6	38
6. Institutions	3	10	2	1	16
Total	42	52	8	14	116

Source: IESC/Kenya Client Records 1987 - 1992.

Our questionnaire survey produced different findings to those of our review of project files. Of 79 respondents, 38 (48%) said that they received operations-type consultancies vs. file information on 116 interventions which showed that the largest number of interventions (45%) were provide in the area of management. However, as noted in Section A, 4.0 Data Limitations, c. Differences between IESC Records and Survey Findings, this was one example where the varying degrees of responses to our survey questions made it difficult for us to reconcile quantitative conclusions drawn from our analysis of project files and those drawn from the survey.

j. Group Projects

There were four consultancies where multiple clients obtained VE assistance: Two assignments through the Fresh Produce Exporters Association of Kenya (FPEAK); one intervention coordinated by the Kenya Management Assistance Program (K-MAP) and a direct consultancy to General Motors of Kenya (GMK). The K-MAP consultancy occurred in 1989 and was the first group project through which seven small Service and Tourism sector clients received management assistance to improve their operations. The assignment lasted three weeks and averaged 2-5 days per client.

The two FPEAK assignments were commissioned in 1990 and lasted two and three-months respectively. Technical assistance consisted of small-farmer training in spraying, harvesting and packing of avocadoes for export. In January 1992 GMK received a three-month consultancy to assist dealers in the development of a wholesale and retail strategy for automobile parts.

We attempted to assess the impact of group projects on client operations through the questionnaire survey. The results are presented under 3.0 Analysis of Survey Data. In addition, we concluded, after discussions with the Country Director and USAID personnel, that the approach to group client interventions could have been better structured and implemented. In the case of one FPEAK assignment and the K-MAP intervention, the time dedicated to each group member was too short to allow the VEs to even visit the premises of all the clients. In other instances, there were too many clients targeted and the time spent with each firm was clearly inadequate.

According to the IESC Country Director, prospective clients are reluctant to participate in group projects for fear of exposing confidential business strategies, buyer information and production techniques to competitors. The field office is hesitant to promote any new group projects partly because of client reluctance, the lack of clear guidelines on the duration of each group intervention, and the lack of differentiation between maximum funding limits for individual as well as for group project interventions.

Since IESC quotes its fees in local currency equivalent, the continuing depreciation of the Kenya Shilling alone is pushing up the costs of single VE interventions so that individual (small) clients are close to the point where they may no longer be able to afford the minimum fees. This trend is likely to reduce demand for one-on-one interventions but should open up an increasing range of opportunities for more cost effective group interventions. To keep per-client costs within an affordable range, the field office and USAID should clearly define the operational parameters (maximum number of clients, average time to spent with each group client etc.,) for future group projects so that this mechanism can be successfully used to deliver VE services. In our opinion, it is not feasible to have a VE serve more than 2-3 clients over a three month period since one month is about the minimum time needed to provide a reasonable amount of technical assistance to the typical small client.

k. ABLE Services

IESC/Kenya completed 8 ABLE assignments under PED in contrast to its Grant target of 20 projects (Table XI). Five clients paid for equipment sourcing and processing information. The other three commissioned research assignments on the U.S. market potential for Kenyan-made products. The ABLE Department at HQS researched graphic film production, avocado oil processing and bentonite processing. IESC also prepared assessments for garments, tea and outdoor sports product exports to the U.S. (Table XII).

TABLE XI
PED-IESC Grant Targets and IESC Accomplishments For ABLE Projects
July - June

Category	1987/88	1988/89	1989/90	1990/91	1991/92	Total
1. ABLE Services:						
Target	n/a	n/a	n/a	10	10	20
Actual	n/a	n/a	n/a	2	6	8
Shortfall:				(8)	(4)	(12)

n/a = not funded under PED until 1990.
Source: PED Grant Amendment No. 4 and IESC Project Files

It was clear that ABLE marketing efforts were less assertive and not as well organized or executed as the VE services. For instance, ABLE only began appearing in IESC press releases in 1992 although it was made eligible for PED grant support in 1990. The County Director confirmed that ABLE projects are offered as a second option to clients seeking VE help who do not meet the criteria for such support.

Unlike VE services, there was no direct marketing of the ABLE program. According to the CD, clients who used ABLE in 1990/91 and 1991/92 had all approached the field office with new business concepts or inquiries about export prospects to the U.S. All eight requests were for VE assistance.

None of the ABLE projects has led to a new business venture in Kenya although two clients are still examining ways to export to the U.S. Until July 1992, IESC/HQS had not required its field offices to follow-up or evaluate the impact of ABLE projects - regardless of the outcome of the research work completed or ABLE recommendations provided to clients. Therefore, even in cases where new business opportunities were verified or endorsed, there was no system to facilitate co-production or to link additional assistance to ABLE client opportunities.

IESC's failure to reach the target of 10 ABLE projects per year is also indicative of i) the absence of field office incentives to promote the service, ii) limitations of the service in terms of applicability to the East African investment and market environment and iii) deficiencies in the ABLE pre-screening process.

TABLE XII
PED-Funded ABLE Projects In Kenya
1991 and 1992

Client	Purpose	Report Date	Research Hrs.	Recommendation & Outcome.
1. Evikar In't Ltd.	Process Overview and Equipment	01/91	40	Not Known
2. Eldema Kenya Ltd.	Process Overview and Equipment	04/91	40	Not Known
3. Fishing Priorities	Market Overview and Distribution	09/91	40	Under Further Consideration.
4. Wanjoni Exporters	Market Overview and Distribution	12/91	50	Not Known
5. Urban Camouflage	Market Overview and Distribution	12/91	20	Not Viable and Canceled.
6. Joans Chemicals	Process Overview and Equipment	02/92	40	Suppliers Needed.
7. Maanzoni Ltd.	Process Overview and Equipment	02/92	40	Did Not Proceed.
8. Kenya Gypsum Ltd.	Process Overview and Equipment	05/92	20	Under Further Consideration.

Source: IESC ABLE Records July 1992.

IESC/Kenya Commitment

There is almost no incentive for IESC/Kenya to promote ABLE because the activity is time consuming but there is no marketing budget for such work. Also, the success rate is considerably lower than that for traditional VE assistance. Finally, HQS has not told the Country Director that her performance assessment will include her work on ABLE services.

When ABLE was added to the PED Grant in 1990, both USAID and IESC thought that the CD and her existing staff would have the time to carry out 20 VE and 10 ABLE projects annually. However, IESC/Kenya lacks the financial resources to hire additional professional staff for ABLE marketing and diagnostic analysis. While USAID had developed budget estimates for direct ABLE costs there was no provision for related marketing and promotion activities to launch the program in Kenya. Marketing ABLE takes away CD time from VE operations. Furthermore, both client payments and USAID's contributions are relatively small and are remitted in full to HQS. Because HQS retains all of the ABLE contributions there in no revenue allocation to cover local overheads or operating costs. The result: the CD was not as motivated to push ABLE projects.

Limitations Of ABLE Services

ABLE offers valuable information at reasonable prices but does not meet some of the primary needs of small manufacturing firms. Small companies have almost no exposure to export markets and are interested in information and contacts to help them enter new markets. However, IESC's network for equipment

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sourcing and processing information are mainly US multinationals. Often, such large firms are not interested in pursuing offshore opportunities on a small scale. Thus, even in cases where appropriate equipment is identified, small clients with limited technical knowledge would have to access technology on their own. ABLE reports therefore provide general guidance but do not go far enough to meet the specific start-up operational needs for new Kenyan ventures. This suggests that IESC may be better off targeting its ABLE program at larger firms since small firms are unlikely to come up with the capital and technical expertise to undertake new ventures independently.

Traditionally, Kenya's best export markets have been Europe and the Middle East. ABLE services give local companies the chance to explore joint marketing prospects with U.S. firms. But because of Kenya's geographic position, future joint ventures and market opportunities are probably going to continue to come those regions than from the U.S. The reasons: high transport costs, long in-transit times for shipping and high communication costs impede successful linkages with North American markets. For opposite reasons, trade and labor-intensive investment opportunities are far more attractive in Central America than in East Africa for U.S. joint venture investors.

ABLE is of minimal use to Kenyan firms because it does not facilitate joint ventures with firms in other emerging economies. For example, there are emerging opportunities for labor intensive joint-ventures in Kenya in sectors that were dominated by the Far East. These Newly Industrialized Countries (NICs) are already "shedding" some labor intensive operations in favor of high technology production systems as their economies continue to grow and as wage rates rise accordingly. Unfortunately, ABLE services are not available in those markets.

Weaknesses in Pre-screening and Analysis

A review of ABLE reports and meetings with two of the eight clients who could be reached for interviews led us to conclude that some aspects of the ABLE diagnostic process could have been better executed. Because clients were interested in the feasibility of acquiring new technology, IESC/Kenya could have carried out more focussed prescreening assessments of each firm's business experience, financial capabilities, production methods and level of technical skills prior to initiating its ABLE assignments. In retrospect, some clients did not have the financial capacity to implement projects nor preliminary market information to warrant ABLE support. A defined pre-screening process would have allowed the field office to identify these deficiencies and avoid wasting time and resources on clients who were unlikely to follow through with potential ventures.

1. **Joint Venture Services**

The JVS service was not implemented under the Grant. The Country Director maintains that Kenya's economic and political environment was, and is still not, conducive for promoting joint ventures and had not actively marketed the concept to Kenyan firms. The JVS and ABLE services face similar limitations in terms of market focus and client expectations and their business development capabilities. The Country Director had not done a JVS assignment prior to her appointment and has, aside from initial training, obtained marginal HQS guidance on marketing and operations for the JVS system.

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We agreed with the CD's perspective on Kenya's investment environment. We suggest that funds allocated for JV Services be returned to the VE resource pool but that the service itself be retained, possibly for future AID funding, in the likely event that the investment environment improves over time.

3.0 SURVEY DATA ANALYSIS

a. Approach to Assessing IESC's Impact on Client Operations

In the preceding section, 2.0 Analysis of IESC/Kenya Operations, we focused on a review of the scope of activities funded under the PED Grant and assessments of progress against targets, group project interventions and ABLE and Joint Venture Services. Our analysis in that section was based on a detailed review of each of 116 project files on VE assistance as well as examinations of ABLE reports, HQS communications and USAID grant records.

In this section, we have concentrated on presenting client impressions, obtained through the survey, of the quality of VE assistance and of the impact of assistance on their operations. The précis in the subsections below was derived from the Summary Of The Main Findings section of Volume Two of this report, "Results of the Questionnaire Survey of the Impact of IESC Assistance on Client Operations."

b. Client Contact with IESC

Most respondents found out about IESC's services through one of the following sources: newspaper articles, direct marketing by the field office, previous IESC clients, locally based firms, non-government organizations (NGOs) and individuals and overseas firms. The respondents' most frequent contact method was through locally-based firms/NGOs /individuals and through IESC direct marketing efforts. Thirty-five percent and 31% of the respondents reached IESC through these channels respectively.

These two mechanisms are usually the most effective ways to market technical assistance to the private sector. Trade associations and business support groups are well connected with donors who offer support for private sector development. IESC, like other programs in Kenya, has successfully promoted its services to the PSDIs and had also achieved good results by making direct "cold" or referred calls on potential clients.

c. Clients' Reasons for Using IESC Services

Eighty-eight percent of the responses for specific VE projects showed that the firms decided to use IESC Volunteer Executive assistance instead of other possible sources either because of the reputation, relative cost or the efficiency of VE services. Almost half of the respondents (49%) ranked VE skills and experience as excellent. Ninty-six percent of responses on VE skills were ranked between "O.K" and "Excellent". Surprisingly, although Kenyan firms are reputed to be extremely sensitive about privileged information, only 4.5% said that they selected IESC because of client confidentiality. It is possible however that some of the "reputation" answers actually included other factors such as reliability, confidentiality and efficiency.

d. Usefulness of Group Projects to Clients

We have already mentioned under Section 2.0 Analysis of IESC Operations, h. Group Projects, that the approach taken by IESC could have been better structured. We also offered our perspectives on the key issues which need to be resolved to improve this approach to delivering technical assistance.

There were four group projects: one K-MAP, one with General Motors of Kenya and two with FPEAK. The K-MAP and GMK projects were part of the survey. Much of what we concluded under i. Group Projects was confirmed in the survey. Generally, the respondents felt that the time the VE spent with them was too short to have much impact on their operations. Two of the clients who had also received K-MAP assistance reported that assistance from that organization was more useful than IESC's. In summary, IESC's group clients were not satisfied with the amount of attention given to their individual problems. In the case of the General Motor's project, we found that it was the facilitator (GM) and not the dealerships which actually benefitted from the intervention.

e. Clients Impressions of VE Skills Matching

Client opinion of IESC's VEs was assessed by asking questions about the VE's knowledge and skills, ability to explain things, relationship with the firm's employees, fulfillment of expected TA and the overall usefulness of IESC's assistance.

The majority of the respondents were impressed with the knowledge, skills and assistance given by the VEs. Almost half (49%) of the respondents ranked VE skills and knowledge as excellent. Cumulatively, 96% of those who answered ranked VE skills between "O.K and excellent". Similar rankings were made about the VEs ability to explain things and his/her working relationships with the firm's employees. About 85% and 88% ranked the VEs as "O.K to excellent" in explaining things and in their relationships with their employees respectively.

Similar high scores were registered for the extent to which the expected technical assistance was fulfilled as well as for the overall usefulness of VE assistance. Ninety-two percent of the respondents stated that the VEs had fulfilled their assignments "moderately to fully" and ranked the overall usefulness of VE assistance between "O.K and extremely useful".

We also concluded that IESC's efforts in VE skills matching was quite successful: 92% of the respondents stated that the VEs skills were "O.K to extremely well matched". However despite the response to that question, there was some mismatch between skills and enterprise requirements. For example, for individual VE projects, 10 of 26 respondents who said that the VE did not fulfil his/her scope of work to a great extent said that it because the VE's background was unsuitable to their needs. Some clients said that the needs assessment process was too brief and might not have contained all relevant details. In addition, if the client tried to alter the SOW when an inappropriate VE was provided, there was resistance from both the VE and IESC.

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It should be noted that such responses were the exception rather than the rule. We suggest that IESC encourage clients to increase their participation in defining the scope of work to minimize such problems in the future. A moderate degree of client dissatisfaction will be encountered, especially in those cases where the client is unsure of the exact area in which TA is needed. Moreover, most clients were satisfied with IESC services and many indicated that they were interested in future assistance in production, marketing, financial planning, personnel management, strategic planning and organization management.

f. Clients' Implementation of VE Recommendations

Our statistical analysis of the implementation of VE recommendations was classified by i) partial implementation; ii) full implementation; iii) maintained recommendations to some extent and iv) fully maintained recommendations.

We observed that 80% of the firms who responded said that, on average, they had implemented VE recommendations at least partially, while 15%, on average, implemented recommendations to a very great extent. either during the course of the VE's visit or after his/her departure. Almost in the same ratio, 80% of the responding firms stated that they had maintained changes introduced as a result of recommendations (practices) to at least some extent while 20% claimed that they, on average have maintained changes to a very great extent.

Why did most respondents not implement or maintain the majority of the VEs recommendations to a very great extent? Three constraints impeded full implementation: 1) limitations in capital and personnel; 2) lack of suitability of VE recommendations and inadequacy of VE guidelines on implementation and 3) economy-wide constraints such as limited access to foreign exchange etc. Fifty-one percent of the respondents said that capital, personnel and foreign exchange difficulties were the main reasons why they were unable to implement the VEs' recommendations to a very great extent.

The lack of investment capital was the leading reason why firms could not adopt recommendations to a great extent. There are at least two explanations why this constraint was so pervasive. First, most small and medium sized firms are usually undercapitalized when formed. Many fail to rectify this imbalance during their existence. Second, many of IESC-assisted firms are closely held family-owned businesses that resist new equity investment from outsiders. This limits the extent to which they can acquire new equity to buy new equipment to expand their operations in line with VE recommendations. Third, long-term credit is not readily accessible from the banking system for the typical IESC client. Thus, even when companies are well structured financially, they have a difficult time accessing capital to implement new concepts and ideas.

There is not much that can be done under the PED Grant to rectify such inherent deficiencies. It would be useful for VEs to at least recommend that clients prepare professional business plans to help them improve their chances of accessing capital to implement his/her recommendations at a later time.

g. Transfer of Technology and Skills to Clients

To what extent did IESC transfer technological expertise from the U.S to Kenyan companies? Most of the firms interviewed acquired new technology, either through the transfer of skills or through the purchase of new equipment. Eighty-five percent of the respondents stated that they had gained ~~and were using~~ new skills passed on by VEs and 21% had purchased new equipment. In terms of personnel skills, responses showed that on average for a VE intervention, 91% of the staff that gained new skills from the VE were still working with their respective firms.

h. Areas of Improvement in Client Operations

Most respondents appeared to have benefitted most from TA directed at improving their production systems than from any other kind of assistance. Of 79 respondents, 48% had received production-related technical assistance; 16% in marketing and 16% in Strategic Planning. Similarly, the highest level of satisfaction, in terms of improvements in any one functional area was derived through operations (production) assistance. Production-related and strategic planning consultancies led to the introduction of new products to a moderate extent and to increased production and improvements in product quality and/or services. Respondents also claimed that production support services like IESC's were largely unavailable from Kenyan service providers.

In summary, there appears to be ample justification for the provision of A.I.D-funded technical support services in Kenya, partly because clients have acknowledged that such services have led to marked improvements in their operations and because they have pointed out that such assistance is often unavailable locally.

i. Growth in Employment, Revenue and Assets of Assisted firms

Employment, revenues and assets for a number of firms increased after VE assistance was provided.

The average level of employment increased from 79 to 94 employees during the reference period and the weighted average annual growth rate in employment for firms which reported both baseline and current data was 3.3%. The weighted average annual growth rate in real revenue was 3.7% for the 43 firms which reported both baseline and current financial data. However, real average annual revenue, re-based to June 1992, decreased slightly from Ksh.59.6 million to Ksh. 56.2 million.

In comparison, the weighted average annual real growth rate for export revenues was 5.8% for the 11 firms that reported both baseline and current data. The average level of real assets for firms that reported baseline data was Ksh 71.4 million, while the average level of real assets for firms that reported recent data was 96.3 million. The weighted average annual growth rate in real ~~revenues~~ assets for those firms that reported baseline and recent data was 29%.

Was the growth in employment, revenues and assets of IESC-assisted firms better than that of non-assisted companies? While the information provided is indicative of a positive and upward trend in business activity among IESC clients we were unable to verify whether the performance of IESC-assisted firms was better or worse than that of companies which had not benefitted from such assistance. The reason: an appropriate control group had not been established nor was nation-wide data available which would have allowed us to make meaningful comparisons between the performance of assisted and non-assisted firms.

j. Correlation between Fees Paid, Implementation of Recommendations and Changes in Employment, Revenues and Assets of Assisted Firms

In our analysis of the survey data we tried to determine whether firms who had paid higher fees had also consistently registered greater growth in employment, revenues and assets and had implemented VE's recommendations to a great extent. There was a positive but weak correlation between the proportion of fees paid to total cost of VE assistance and growth in employment and revenues, as well as the extent of implementation of recommendations. However, there was a weak negative correlation between the proportion of fees paid and growth in real assets. Our conclusion: the low values of the correlation coefficients suggest that there is little or no relationship between the price paid for IESC consultancy services and the degree of improved performance or the extent to which VE recommendations were adopted.

k. Correlation between the Duration of VE assistance and Implementation of Recommendations

According to the Grant Agreement, VE consultancies were expected to be no shorter than one month and no longer than three months of in-country assistance per client. Nonetheless, about 25% was outside the upper and lower limits - 13% of the PED-funded assignments were less than four weeks; 75% were 1 - 3 months and 12% went beyond the three-month maximum.

We were surprised to find that there was a low negative correlation between the duration of VE assistance and the degree of implementation of recommendations. This implies that implementation of VE recommendations may be more closely related to qualitative factors such as management, finance and operational capabilities. However, these factors appear to have eclipsed the impact which might have otherwise occurred as a result of longer durations of VE assistance.

l. Factors That Affected The Performance of Assisted Firms

There is little doubt that the prevailing economic conditions, characterized by declining growth in Gross Domestic Product (GDP) and fixed investment, have affected firms assisted by IESC. For example, during 1991, Kenya's real GDP growth was 2.2%, its lowest since 1984.

Some IESC-assisted firms responding to the survey stated that they were affected negatively by economy-wide constraints - mainly shortages of foreign exchange, generally deteriorating economic conditions and less immediate access to long term credit. Regulatory and licensing requirements have also had an adverse effect of the performance of some IESC-aided firms. We strongly believe that these factors have affected the extent to which those firms have been able to increase employment, revenues and take on new investment opportunities. Unfortunately we were unable to isolate the effects of such factors on IESC-assisted firms.

4.0 ASSESSMENT OF INSTITUTIONAL CAPACITY

a. Approach to Assessing IESC's Institutional Capacity

For the most part, the field office's institutional development depended on Country Director initiatives to organize and establish in-country operating strategies and procedures. Likewise, the field office's institutional capacity and memory depends upon the degree to which each successive CD maintains up-to-date program, accounting, and administrative systems. IESC's field operations are usually run on small administrative budgets with only one high caliber professional staff. Because of this, the success or failure of IESC's in-country programs are largely a factor of the capabilities and competence of its Country Directors. Therefore, in this section of our report we have focussed on the CDs styles, and professional strengths and weaknesses as an important measure of the performance trends and achievements of the program during the grant period.

Three Country Directors ran the Kenya field office between 1987 and 1992. Because the field office is small, the CDs' individual styles and preferences were superimposed on the institutionalization process. That is why the strengths and weaknesses of IESC's management system depended on the CDs commitment to using formal planning, operating and reporting procedures for field office operations.

We decided to assess only the present CD's management methods because we felt that previous Directors were unlikely to offer anything more that retrospective perceptions of their roles in the process. In addition, we found that information on prior management issues was available from USAID and IESC files. More importantly, we decided that an assessment of the present state of institutional development would be far more relevant in terms of our recommendations on this issue.

b. Adequacy of Program Management

To evaluate IESC's program management we reviewed i) the strengths and weaknesses of the CDs' management practices; ii) IESC's implementation of recommendations of its 1989 mid-term evaluation and iii) the adequacy of its marketing efforts, skills matching and VE and client support. The team also looked at the extent to which IESC had modified procedures and services to overcome constraints germane to the Kenyan business context and evaluated the strengths and deficiencies of IESC's monitoring and evaluation (M&E) systems.

Strengths and Weaknesses of CDs Management Practices

The first CD responsible for PED-funded activities between July 1987 and August 1988, was not familiar with USAID procedures or project management requirements. He experienced numerous problems with client eligibility, collection of client fees, quarterly report content and collection of M&E data.

The second CD, took over in August 1988, two weeks after the first CD had left Kenya. The second CD spent a considerable amount of time rectifying issues left outstanding by his predecessor. He collected past due client fees, improved relationships with USAID and increased marketing and promotion efforts. Residual time was allocated to maintaining basic accounting and M&E systems.

The third and current Country Director took office in June 1990. She focussed on maintaining IESC's marketing momentum and initiated a more rigorous approach to operations management. Unproductive staff were replaced and a trustworthy project officer was hired. IESC/Kenya's visibility was increased through press releases, mailings and speaking engagements. The CD collected past due receivables and reduced bad debts. She also improved cash flow by requiring clients to pay up to 50% of their VE consultancy contributions in advance. When necessary, VE's were promptly replaced if they were not suitable for specific assignments.

The three Directors concentrated on VE assignments. IESC/HQS also allowed them to develop program management relationships with the USAID Mission. This decentralization approach may be the most effective way to manage small field offices. Nonetheless, for such a system to work well, each new CD has to spend a reasonable amount of time with his/her predecessor to assimilate information on country activities and field office practices to ensure that he/she can more readily sustain the thrust of on-going programs.

We observed that there was no transition in the case of the first CD's replacement and only one week of overlap between the previous and current Country Directors. The lack of an adequate transfer between Country Directors led to some "loss" in institutional memory and program continuity. This was further accentuated because of the lack of appropriate client tracking systems, formalized planning, and administrative procedures which the in-coming CD could have relied on. It also perpetuated management practices which confined valuable information about appropriate operational practices to each CD's memory.

We were concerned that neither IESC/Kenya nor USAID were able to make Grant-related decisions based on clear operational plans or adequate performance data. Prior to this evaluation, the field office had not analyzed its data in terms of sectors, client size or level of client contributions. Therefore it could not produce information on VE consultancies pertaining to client size, type of technical expertise provided, client fees, gender, markets served or geographic location or sectors served. The lack of an appropriate system to generate such data led to noticeable limitations in the program's institutional capabilities. In the absence of such data, we questioned how IESC was able to support its work plan presentations to the Mission or to respond clearly to strategic queries raised by USAID personnel about PED-funded activities.

This observation has equally meaningful implications for program management over the remaining Grant period. The tendency of a high CD turnover rate (three in five years) and the independent styles and capabilities of each CD would suggest that IESC strive to maintain a reasonable degree of institutionalization in the field. This would improve retention of valuable knowledge of each CD's methods, procedures and experiences for future Directors' use.

Implementation Of Recommendations Of Mid-Term Evaluation

A mid-term evaluation of the field office's operations was conducted in 1989 as part of a comprehensive assessment of USAID's private enterprise projects. The evaluators concluded that IESC/Kenya was meeting its PED targets and that client fees were slightly above the required $5,000 average per intervention. They pointed out that HQS' VE recruitment time was too long; that many small businesses were incapable of paying the average consultancy fee; and that HQS contributions to IESC/Kenya operations had exceeded the amount budgeted under the Core Grant by about $400,000 annually.

The mid-term evaluators recommended that IESC agreements include better needs assessments and clearer work plans with measurable objectives. They also suggested that IESC i) collect impact data on businesses served; ii) increase the number of group projects; iii) consider combining its technical assistance (TA) with other firm-level programs and iv) focus marketing activities on longer interventions of 2-3 months duration.

Those recommendations were implemented with varying degrees of commitment and success. IESC agreements are now more specific on client needs than before and VE work plans contain more clearly defined tasks, modifications and expected accomplishments from each intervention. As an indicator of improved identification of client needs, IESC/Kenya replaced only two of 52 VEs between 1990 and 1992. Data collection however continued to suffer from chronic gaps in information on client performance.

Our conclusions and recommendations on group projects are summarized under Section C. Findings. 2.0 Analysis Of IESC/Kenya Operations i. Group Projects. We reiterate that the field office has not increased the number of group projects in its annual portfolio between 1989 and 1992, ie., after the mid-term evaluation was completed.

IESC/Kenya did not attempt to combine its technical assistance with other programs but did offer support to some clients who were being assisted by similar programs such as the Rehabilitation Advisory Service (RAS), the Agricultural Management Project (AMP) and K-MAP. However, such initiatives occurred on an ad hoc basis. In the majority of cases, assistance was requested by other programs rather than proffered by the field office. In interviews with IESC, the British Executive Service Overseas (BESO) and other donor-funded programs, we noted an unusual degree of "territorial ownership" of TA programs, criticism of each other's activities and a marked reluctance to initiate joint TA work with the same clients. We are therefore skeptical about the extent to which firm-level programs will collaborate on future firm-level interventions.

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Adequacy Of Marketing Efforts

IESC/Kenya's marketing strategy involved continual efforts to increase program awareness and attract prospective clients through a combination of direct and indirect promotional techniques (Chart II. Marketing and Operations Process, page 39). About 300 prospective clients are interviewed each year by the CD after they respond to IESC promotional activities such as mailings, exhibitions, networking and telephone calls. Around 25% are eligible for PED-funded VE assistance. Approximately 15% of those originally targeted enter into Agreements to use VE services; 8% materialize as project Starts. Contact with 300 prospective clients will therefore result in 20-25 completed assignments.

Similar processes and results are experienced by other firm level assistance programs funded by USAID. Technical assistance assignments fail to materialize for various reasons. For example, some clients are only exploring options to develop new concepts but are not yet interested in using outside expertise. In other instances, companies postpone expansion plans, are unable to come up with agreed contributions or find less costly ways to acquire similar expertise.

Our evaluation team concluded that IESC's marketing process and the frequency of technical assistance (TA) interventions was within the range of similar TA delivered under comparable private enterprise programs like the Private Sector Export Promotion Project (PSEPP) in Morocco, the High Impact Agricultural Marketing and Production Project (HIAMP) in the Caribbean and the Agricultural Management Project (AMP) in Kenya.

Overall, we found that the Country Director's marketing efforts were quite effective. Her operating efficiency and prompt decision-making style were the main reasons why VE interventions exceeded Grant targets between 1990 and 1992. Regrettably, less than adequate management systems were used by all three CDs. For example, annual work plans were limited to quantitative projections based on a fixed percentage increase over the previous year's performance and descriptions of marketing strategies and their expected outcomes were nonexistent.

Our mixed findings about IESC's marketing efforts led to two perspectives on small development programs: 1) the success or failure of small program depends to a great extent on the professional drive and competence of the individual responsible for project implementation and 2) the lack of formal management systems - while detrimental to project planning, monitoring and oversight - does not necessarily mean that technical assistance tasks will be also poorly implemented.

Assessment Of VE Support

The evaluation team interviewed five VEs on assignment in Nairobi. They all claimed to be satisfied with in-country support from the local office. However, we decided not to use the VEs responses for two reasons: First, three of the five VEs were on their initial assignments for IESC; they therefore had no prior experience with in-county support and could not compare IESC/Kenya's support with similar assistance from field offices in other countries.

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Second, it was obvious, during interviews with the two VEs who had prior IESC experience, that favorable responses on field office support were being given partly to protect both IESC and the VEs from subsequent criticism. Fo these reasons, we were prepared to discount their responses about field office support. On the other hand, the CD's efficient approach to operations management, also noted elsewhere in this report, led us to conclude that VE support was well-administered by the Kenya field office over the last two years.

Relevancy Of Standard IESC Practices In Kenyan Context

IESC/HQS' standard operating procedures for marketing, operations and follow-up support for its VE services worked reasonably well in Kenya. Emphasis was placed on prepayment of fees in 1990-92 because the field office had experienced major difficulties in collecting client contributions when VE services were provided on a receivable basis when IESC funding under the PED Project first began. Moreover, the VE system has been in existence for over 20 years. It has been continuously revised and improved from IESC's worldwide experience in many developing countries over that period.

ABLE and JV Services are relatively new and are not as well suited to Kenya's business environment. The evaluation team's observations about weaknesses and suggestions about improvements for both services are highlighted under Section C. Findings. 2.0 Analysis Of Operations, j. ABLE Services and k. Joint Venture Services and in Section E. Principal Recommendations.

Adequacy Of Monitoring and Evaluation Systems

IESC's client monitoring and evaluation (M&E) practices fell far short of what is normally expected of USAID-funded projects. For instance, the client tracking system was inadequate. Also, there was inappropriate timing in collection of client impact information. Finally, there was no database system from which information could be retrieved or analyzed.

IESC/Kenya maintains two set of impact data: one for IESC/HQS and the other for USAID/Kenya. Because HQS and USAID/Kenya information needs are slightly different, the field office collects two types of data from VE clients - often on different occasions in any given period. For IESC/HQS, various assessments have to be submitted after each assignment is completed. These reports include a confidential assessment of VE services which is prepared by each client; a private report of the project and client written up by the VE; and a similar appraisal of the VE's work by the CD. IESC/Kenya also has to prepare client analysis reviews (CAR) to fulfill HQS' own interval evaluation of VE impact.

For USAID/Kenya, impact data on sales, employment, etc., is collected once - six months after the VE project is completed. In our opinion, the six-month time frame is too short to provide any meaningful information on changes in client performance. In most cases, clients would have only just started to implement VE recommendations within that time. In addition to questioning the appropriateness of collecting data over such short intervals, we were told by some clients that IESC's requests for two sets of data were confusing and extremely irritating to them.

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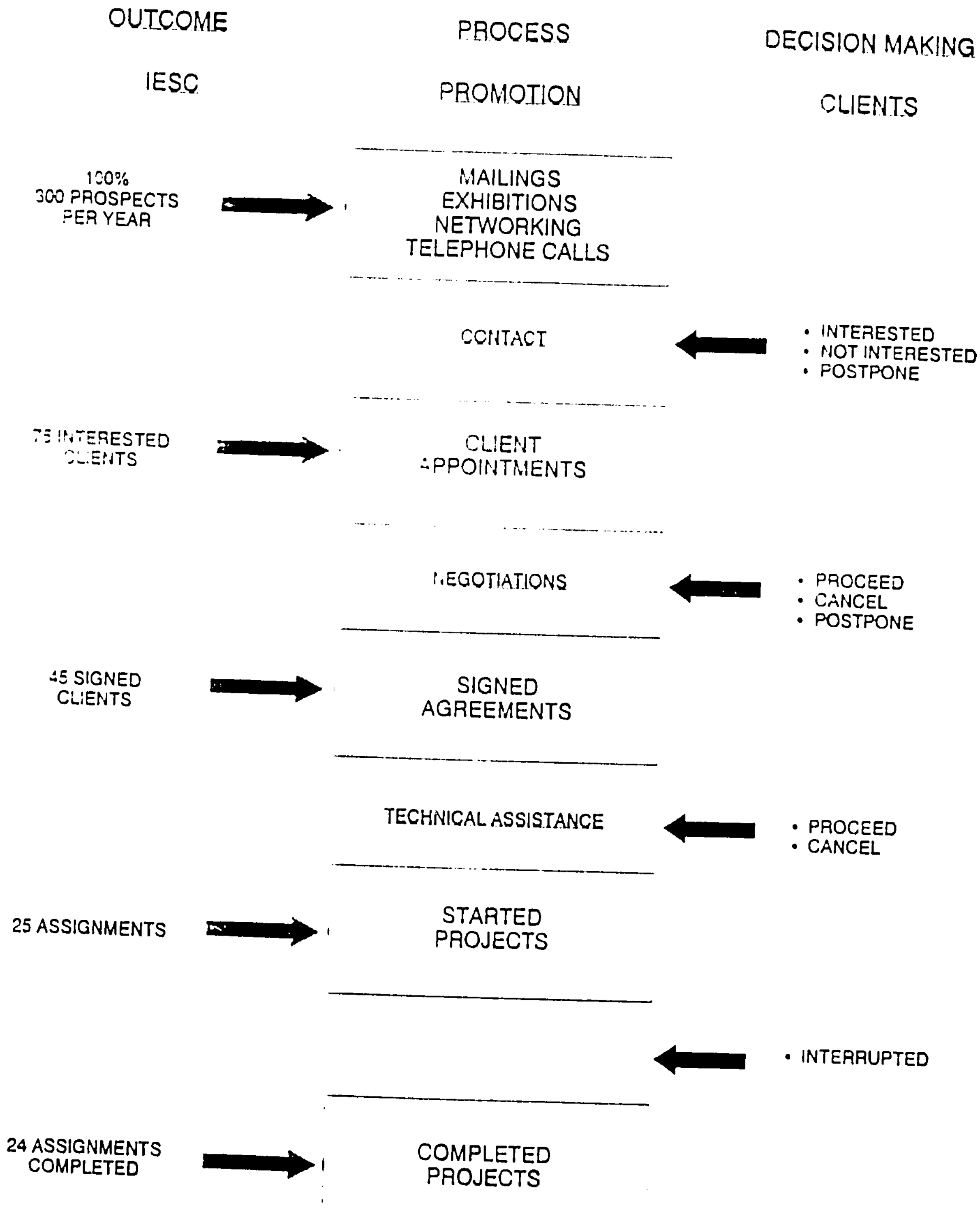
CHART II
IESC MARKETING AND OPERATIONS PROCESS



SOURCE: IESC DATA, JUNE 1992

We were concerned that the CDs rank almost every VE project favorably. Most of the projects were classified as "very successful". In many cases, improvements had been prematurely registered. For example, the VE would indicate that sales and profits had increased even before recommendations to improve marketing and reduce costs had been implemented.

In the course of assignments, every VE submits recommendations to clients. In most cases, the VE would provide a list of outstanding recommendations in his/her close-out report to IESC/Kenya. In our view, these suggestions are the most potent post facto indicators of the effectiveness of IESC assistance. The reasons: adoption and implementation allow USAID and IESC to determine the relevancy of the recommendations; the responsiveness and commitment of clients; and to identify the emergence of implementation constraints which may require further VE support. We were disappointed when we discovered that the implementation of VE recommendations was not being monitored by either IESC/HQS or by the Kenya office.

We concluded that IESC's monitoring and evaluation systems need to be urgently upgraded. The current practice of measuring impact - six-months after each intervention - is premature and serves little purpose. In our opinion, IESC and USAID would gain more useful insights of program impact by monitoring the extent to which clients had adopted VE recommendations. These assessments should be carried out no earlier than one year after the VE has completed the assignment to give clients enough time to act on the VEs suggestions. In this regard, it may be more useful for USAID to stop collecting quantitative impact data and focus instead on monitoring implementation of VE recommendations.

c. <u>Adequacy of Administrative Functions and Activities</u>

The Country Director is responsible for field office administration. Office staff consist of a project officer, secretary and accounts clerk. Although not formally appointed, the Country Director's spouse acts as her deputy on a volunteer basis. His tasks include monitoring IESC's impact on client operations for the Kenya Mission and providing similar field office assessments to IESC/HQS. He also interviews JV and ABLE clients and fills in for the CD on communications and administrative activities from time to time.

The project officer is employed part-time on commission to complement the CD's marketing efforts. He develops leads, carries out a preliminary assessment of client premises and operations, prepares IESC Agreements and collects each firm's initial contributions. The project officer is also responsible for scheduling VE/Client work-plan meetings and for collecting fee payments. In practice, he spends most of his time identifying prospective clients and making initial contact while the Country Director takes on client negotiations and follow-up work.

We believe that staffing levels are adequate for activities carried out by IESC/Kenya. Also, we found that there was a clear delineation of tasks and responsibilities at the field office level. It was evident, however, that clerical personnel lacked the necessary accounting and computer skills needed to maintain basic record-keeping systems. For example, IESC purchased a Personal Computer (PC) system over 18 months ago but its client tracking system was still being maintained manually at the time of this evaluation in July 1992.

Likewise, a client database/TA tracking system was still to be installed after initial attempts to do so failed over 12 months ago because of defective HQS software. Clerical staff are only now being trained in software applications, 18 months after the computer equipment was purchased. We were surprised that such problems took so long to be rectified - technical advice, customized training, software packages and system installation services could have been easily procured locally within the first 3-6 months after the PC system was installed.

Because those areas of administration were less than satisfactory, the field office has not been able to maintain appropriate program management records on PED Grant indicators. This deficiency led to disagreements between IESC and the Private Enterprise Office over monitoring methods and reporting requirements.

In summary, our assessment of IESC/Kenya's administrative functions and activities produced mixed results. Staffing levels, delegation of responsibilities and personnel supervision are reasonably well carried out by the Country Director. Still, two key areas of administration needs to be improved and upgraded: i) staff competence in computer applications and ii) the introduction of management and financial information systems that would give the field office the capability to make better use of its client information. This would also facilitate prompt access to PED financial and cost information needed by the AID Mission (see subsection d. Financial Management, below).

d. <u>Financial Management</u>

We held various discussions with USAID and IESC/Kenya to assess the adequacy of IESC's financial controls and accounting systems. In the process, we tried to evaluate the cost effectiveness of the program and to determine the appropriateness of client fees. We also tried to make realistic cost comparisons with similar firm level programs and to address the thorny issue of financial sustainability. Our findings are presented below:

<u>Adequacy of Financial System</u>

We found it extremely difficult to obtain up-to-date financial and accounting information from IESC/HQS and IESC/Kenya. The field office has neither a proper accounting system nor the skills to prepare its own financial and accounting records. Financial transactions are recorded under a "single entry" system in Kenya. Account balances and supporting information are sent to IESC/HQS monthly where the accounts are reconciled by HQS' staff and a financial report returned to the field office. At the time of this evaluation in July 1992, the field office's financial report for the month of December 1991 was six months overdue. When we requested recent data, the CD pointed out she was still waiting on similar reports for each of the first six months of 1992.

The lack of an appropriate financial system has become a major issue for the AID Mission. For the most part, USAID has been unable to obtain timely, comprehensive financial statements of expenses for 1990 and 1991 or clarification of budget projections for 1992 and 1993 based on most recent year-end costs. We noted that the Grant Agreement requires IESC/Kenya to submit audited accounts for its local operations to USAID. That requirement has not been met since the inception of the Grant in June 1987. In March 1991, the field office hired an accounting firm in Nairobi to carry out an audit. Instead, the firm prepared a review of the field office's accounting policies and practices. The report had nc been completed by December 1991 and was not available to our team for review at the time of this evaluation. In addition to all this, USAID has expressed concern about the eligibility for reimbursement of various types of expenditures incurred by HQS and IESC/Kenya and charged under the PED Grant.

In June - July 1992, IESC/HQS responded to USAID requests of December 1991 for explanations pertaining to its Grant-related accounting and financial controls and promised to upgrade its field office systems in the near future. Nevertheless, current financial and accounting systems, as they pertain to the PED IESC Grant are both inadequate and inefficient. IESC/Kenya's methods, when compared to accounting and financial systems and procedures used by similar firm level assistance programs (eg. HIAMP, AMP, RPE, IESC in the Eastern Caribbean,) fall far short of even minimum standards for such programs.

IESC/HQS must bear most of the responsibility for the deficiencies in its field office's financial system because it assured the field office of its preference for and intention to install a IESC/HQS customized accounting system in Kenya. According to HQS' Director of Information Services whom we interviewed in Nairobi... " *IESC's goal is to standardize its reporting systems globally"*.... To accomplish this, HQS is in the process of developing customized accounting, financial and database information systems which should eventually lead to a direct on-line network with each field office. In Kenya, the field office interpreted this policy to mean that it should wait on HQS to deliver customized software programs and should not install an independent set of accounting and database systems.

Without discounting the merits of the HQS approach, we recommend that IESC/Kenya immediately acquire a basic accounting package in Kenya and install a reliable and efficient financial reporting system which meets Mission requirements. It is clear that improved financial reporting practices must be introduced by IESC/Kenya to restore USAID confidence that Grant funds are being properly accounted for in a timely and efficient manner.

<u>Cost Implications for Remaining Grant Period</u>

Over the last five years, IESC's field office worked on VE and ABLE projects for a combination of PED-related and non-grant beneficiaries. As of March 27, 1992 about $1,022,849 had been spent to finance 116 VE consultancies under the PED grant. Thus, the average cost to USAID of funding a VE consultancy was $8,817. In contrast, and according to IESC data, the average <u>total</u> cost of funding a VE consultancy (project), inclusive of total HQS costs was $22,209 in 1989, $23,414 in 1990 and $27,098 in 1991. Table XIV provides an overview of IESC's revenues and related project costs using these three year averages.

We noticed a moderate difference between IESC/HQS' estimate of USAID's contribution per VE consultancy of $7,920 and our own calculation of $8,817. (One explanation for the discrepancy is that we used the actual number of PED-funded consultancies (116) to calculate AID's average contribution. IESC/HQS probably used 127 consultancies - a figure which would have included projects completed by IESC but not funded under the PED Grant.)

PED Grant funding does not allow IESC/Kenya to cover all of its in-country expenses. Client fees only cover about 27% of the total cost of a VE project and in-country expenses exceed USAID's contribution by about $6,360 per project. This deficit, along with the administration expense item of $3,497 per project, is being funded by IESC/HQS through its Core Grant with AID/W at a level of about $9,857 per VE intervention.

This analysis helped to explain why IESC/HQS and the field office have repeatedly complained that the maximum grant funding of $11,845 per project does not cover actual consultancy expenses. Although we were empathetic, we noted that the Grant Agreement anticipated that HQS would fund approximately $13,500 (49%) of each VE consultancy from its Core Grant and, in signing the Grant Agreement, that IESC had agreed to this arrangement.

TABLE XIII
Average VE Project Revenue and Costs in US$
Over The Period June 1989-June 1991

Category	Per Project Average
Revenues:	
Client Fees	6,463
PED Grant Funds	7,920
Total Revenues	14,383
Expenses:	
In-Country Expenses	20,743
HQS Admin Expenses	3,497
Total Expenses	24,240

Deficit	(9,857)
	======

Source: IESC Financial Report and Internal Accounting Data. July 1992.

The shortfall in funding on a per project basis has important implications for the remainder of the PED Grant period (1992 -1994). Under IESC/HQS' new Core Grant, in-country deficits will no longer be eligible for funding. Also, IESC/Kenya estimates that total VE per project costs for 1992 could fall in the region of $30,000 - $34,000. The Kenya Mission and IESC/Kenya should begin to negotiate an increase in maximum VE funding from the current level of $11,845 to at least $25,000 per intervention so that IESC/Kenya avoids "unfundable" deficits in operating expenses after the Core Grant has been modified.

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Cost Comparisons With Other Programs

Without attempting to verify IESC's cost data, the evaluation team tried to compare VE project costs with those of similar firm-level assistance programs in Kenya. Unfortunately, we found it almost impossible to arrive at a common benchmark for drawing such parallels. Variations in each program's approach to packaging technical assistance; in level of effort per intervention; in source of TA personnel; and in the end-product, made comparisons between TA costs almost meaningless under such circumstances. As an alternative, we compared the field office's VE costs with identical programs and then looked at the differences in TA costs incurred if the same service had to sourced through a contractor.

Table XIV shows a recent comparison between IESC/Kenya, The British Executives Service Overseas (BESO), IESC/ Morocco, and IESC/ Caribbean.

TABLE XIV
US$ Cost Comparisons Between VE Programs
July 1992

Category	IESC Kenya	BESO Kenya	IESC Morocco	IESC Caribbean
TA Delivered	VE Project	VE Project	VE Project	VE Project
Average Duration Per Project:	2 mths	1 mth	2 mths	2 weeks
In-Country Mgmt	Full Time	Part Time	Full Time	Full Time
Support Staff	Three	None	Two	Two
Client Focus	SMEs	S,M,L	SMEs	SMEs
Estimated Total Per Project Cost:	27,098	6,000	30,000	6,153
	======	=====	======	=====

Source: IESC/Kenya Data, Evaluation Reports and BESO Information. July 1992

Of the four programs, BESO's VE service is the least expensive while the IESC/Caribbean program comes out ahead of both Morocco's and Kenya's in terms of cost efficiency. BESO's service is run on a stringent budget - the Kenya CD does not get per diem allowances; coordinates the program from his home; does not have a marketing budget; and uses less expensive accommodation than IESC for visiting VEs. BESO has lower expectations: in comparison to IESC/Kenya's average of over 20 projects per year, BESO has averaged only 7/yr since 1977.

BESO's costs were also lower because its economy airfare from the U.K. is less than half that of IESC's transatlantic business class fares. IESC's Caribbean operation is less expensive than Kenya's mainly because of the savings in airfares resulting from the region's proximity to the U.S. The Caribbean operation registered lower costs because of its high rate of piggy-back projects. Kenya's current VE program would appear to be at the top end of the cost range on a global basis.

Cost-Effectiveness of VE Program

Is it cost-effective for USAID to use IESC for firm-level interventions through its private enterprise development program ? To address this issue, we tried to determine if IESC's VE services were less expensive than similar services offered by an international or local consulting firm and whether USAID was getting "value for money".

The full cost of VE services in Kenya for an LOE of one person-month, inclusive of IESC/HQS overheads funded under the Core Grant, is approximately $13,600 (from Table XIV). An international consulting firm would charge in the range of $7,200 (@ $300/day) plus an overhead rate of 150% in addition to travel and per diem expenses. Total costs for one person-month of a consulting firm's time: $25,000 - $30,000.

High calibre local consulting firms would not have to incur travel or per diem costs and would charge slightly lower fees than an offshore competitor but would be slightly more expensive than IESC: Nairobi-based firms quote around $15,000 - $20,000 for one person-month of time.

We considered two key points when assessing whether USAID was getting "value for money" out of IESC. First, good management consultants can be hired at $300/day; but senior executives with the caliber, experience and practical approach to problem-solving of IESC VEs are often only available to consulting firms for fees in the region of $600/day. That rate is almost twice the AID maximum ($320/day) for such services. Second, IESC has established a unique resource network that even the best consulting firms, local or offshore, would find hard to replicate. Its field offices are more likely to find VEs (consultants) with hands-on experience who can help fledgling firms. Therefore, in our opinion IESC does offer good value for money.

The IESC program in Kenya is cost-effective because the cost per client assisted is considerably lower than the next best alternative - using a consulting firm under a service contract to implement a similar program. The cost per client assisted for two months of an IESC consultancy was roughly equally to what it would have cost for one month using an offshore consulting firm.

Service Differentiation

Is IESC/Kenya providing a range of services that others are not? We assessed the degree of service differentiation in two ways. First, we reviewed the range of consultancies provided since the inception of the Grant and tried to determine whether any of the VE services could have been obtained locally. We then compared IESC's program with other on-going private enterprise projects to assess the degree of duplication of effort, if any.

We found that 30 of the 116 consultancies (26%) were in areas of specialization which were available from local consulting firms. These 30 VE projects consisted of various training interventions involving assistance in the development of personnel policies and job descriptions; help in writing business plans; advice on planning and organizing operating systems; and reviews of financial controls in medium-sized and large firms.

We believe that the number of consultancies which could have been sourced locally was on the high side. Both members of our team have a sound knowledge of the quality and availability of services in Kenya and concluded that at least 10 - 15 VE assignments could have been competently carried out by professional firms in Nairobi.

Such overlaps are inevitable. Donor programs operate on the fringe of the commercial service sector and, whenever a subsidized TA program has quantitative targets to meet, it will quietly "compete" for business with rival programs as well as with local consulting firms. Within the technical assistance community, IESC shares the same target groups with about six donor-funded programs. These include BESO, the Canadian Executive Service Overseas (CESO), the African Project Development Facility (APDF) and the Rehabilitation Advisory Service (RAS).

When we compared IESC services with these programs we observed a few cases where prospective clients had switched to BESO or other in-country programs because the same services were being offered at cheaper rates. Still, IESC is the largest and best funded VE service in Kenya so that neither the level of competition between TA programs nor the occasional duplication of services has had a material effect on its performance.

It is true that subsidized programs compete unfairly to attract new clients, often using lower prices than even the minimum local market rates. USAID should persuade IESC/Kenya to reduce its market encroachment for the remaining LOP. The field office could accomplish this by making more careful assessments of the availability of local services before proceeding with VE interventions. Prospective clients may still choose to use an IESC Volunteer, but should at least be made aware of the pros and cons of using local vs. offshore services where applicable.

Cost Recovery and Financial Sustainability

Analyses presented throughout this subsection and in other parts of this report led us to conclude that full cost recovery is not feasible, especially if IESC is required to target small clients under the PED project. Without full cost recovery IESC's operations in Kenya are not financially sustainable.

There are two reasons why this is so. First, small and medium-sized enterprises (SMEs) simply cannot afford to pay the full cost of VE services. Second, while there is some room for IESC to reduce operating costs, it is highly unlikely that the program could function properly if its administrative budget falls below $100,000 per year. If USAID wants IESC to offer assistance to SME clients beyond the Grant period, it will have to continue to subsidize both in-country administration and technical assistance costs.

On the other hand, while donor-funded programs have made TA available at affordable rates they unintentionally impede local development of similar services by setting fee rates at unrealistically low levels because their operating costs are so heavily subsidized.

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What should be the next step in the process? This evaluation team suggests that USAID take a closer look at the feasibility of introducing market development programs that would encourage and enhance the availability of technical services within Kenya.

There were almost no alternatives to IESC-type programs when technical services were nonexistent locally. But in many countries and in Kenya, the calibre and availability of local expertise has improved in recent years. For this reason, future programs should focus on demand-side stimulation rather than continue to underwrite supply-side support. In the long term, services initiated by IESC and other private enterprise programs can be sustained only if local firms can sell similar capabilities commercially.

A new strategy should be implemented that would encourage local firms to gradually take over some if not the full range of services now offered through enterprise assistance programs. This would enhance the commercialization of technical services in local markets and ensure sustainability since it will put the private sector in a stronger position to provide such services after donor funding for enterprise assistance programs expires.

Cost-Benefit Analysis

We discussed the issue of Cost/Benefit Analysis with USAID prior to the start of the evaluation and pointed out the complexities involved in quantifying and relating client benefits to technical assistance costs. Difficulties included establishing the correlation between IESC assistance and subsequent financial gains of client firms and the different approaches needed to measure cost/benefits for commercial operations vs. institutional clients. For example, correlations would be difficult to quantify if we tried to relate quantitative gains in sales, or association membership to improvements in administration brought about through VE training of key personnel in an organization.

Given the potential complexities of this issue, USAID agreed to delete the requirement from the evaluation team's scope of work. Nevertheless, descriptive illustrations of the types of benefits derived by firms are provided in detail in the our Survey report, Results of the Questionnaire Survey on the Impact Of IESC Assistance On Client Operations, a summary of which is contained in Section C, Findings 3.0 Survey Data Analysis.

5.0 ASSESSMENT OF USAID GRANT MANAGEMENT

a. Approach to Assessment of USAID Grant Management

We started our assessment of USAID's management of the PED grant by reviewing the Grant Agreement to identify IESC's reporting and evaluation requirements. We reviewed the Mission's role in authorizing the use of Grant funds for in-country activities. We also noted the various changes adopted by both entities to facilitate more efficient implementation and more effective Grant management.

b. Initial USAID Role in Program Management

The Private Enterprise Office (PEO) monitors the IESC program and provides guidance on implementation activities. We noticed that the Grant Agreement called for a moderate level of program management. The field office was expected to submit the following: quarterly reports of its activities; project evaluation reports; and financial reports. IESC/Kenya also had to submit proposals for technical advisory services thirty days prior to the beginning of each quarter. These proposals were to include descriptions of proposed IESC interventions to allow USAID to review and approve/reject proposed projects.

The quarterly reporting and approval system took up more of the Private Enterprise Office's management time than was envisaged in the Grant Agreement. Initially, PEO provided considerable guidance on project eligibility, reporting methods and on clarifying AID financial reporting criteria. (As mentioned earlier, the first Country Director was unfamiliar with AID requirements and took some time before learning how to deal with the Grant provisions and procedures.)

USAID was somewhat inflexible with its approval process at the start of the program. For example, projects with estimated LOEs of less than one month were not approved even if there was a strong possibility that they were likely to go beyond the minimum thirty day period stipulated in the Grant. In addition, the process for approving VE projects - consisting of USAID's examination of each IESC Agreement, a description of proposed project activities, follow-on queries, and formal approval through Project Implementation Letters (PILS) - was both cumbersome and time consuming.

According to IESC, these practices, apart from minor adjustments, remained in place until March 1991 when the Mission agreed to change IESC's reporting requirements to a semi-annual system. Unfortunately, the Private Enterprise Office continued to approve projects on a case-by-case basis although it did switch to approving such interventions verbally and then issued PILS, post facto, to confirm these approvals.

c. Mission Concerns About IESC Field Office Management

As the project evolved, the Private Enterprise Office became increasingly concerned about the level of IESC's planning and marketing strategies; about its focus on PED priority clients; the efficacy of its monitoring and evaluation (M&E) systems for measuring client impact and about IESC's financial management and accounting practices.

We have already highlighted IESC's strengths in marketing as well as its weaknesses in monitoring and evaluation, measurement of client impact, and financial and accounting systems. Mission concerns about these issues intensified in 1991 and 1992 because of the need to renegotiate the IESC/Kenya grant in anticipation of AID/W's elimination of most of its core grant financing of in-country costs. In 1992, for example, the Mission became increasingly concerned about IESC/Kenya delays in providing adequate responses to PEO queries.

Mission anxiety about the appropriateness of IESC's in-country program management was justified. In a recent HQS global survey of USAID Missions, four of the five key issues identified in this evaluation were also of top priority to the Kenya Mission: timeliness in financial reporting; inability to reach very small clients; absence of a formal marketing program; and less than adequate evaluation (impact) systems and information according to Mission goals.

3. Loopholes and Weaknesses In The Grant Agreement

Two factors contributed to USAID micro management of the IESC program: 1) lack of clarity in eligibility criteria in the IESC Grant Agreement and 2) absence of a strategic plan in which the expected impact of IESC's firm-level assistance could have been more accurately defined.

Ambiguity in Eligibility Criteria

We observed that three criteria had not been clarified in the Grant Agreement: client size; types of firms or sectors to be targeted; and types of technical assistance to be provided. According to the Grant Agreemen .."*The purpose of this Grant is to provide support for a program of technical assistance to small and medium-sized, modern sector businesses*".... We noted, however, that neither the Grant Agreement nor the Program Description explained what was meant by small and medium-sized businesses - for instance, in terms of number of employees, sales volume, asset base, management structure etc. Without such guidelines, IESC set the size classification for prospective clients.

In addition to the uncertainty about client size, the Grant Agreement contained limited guidance on the types of firms to be assisted: "*Any company or business association in which the majority shareholding is in the hands of private Kenyan citizens or firms is eligible for assistance....Priority will be given to small businesses, agribusinesses, export businesses and labor intensive businesses*"...(Page 3, Attachment 2. Program Description). The Grant did not indicate whether clients were expected to fit more than one category (eg, be a small business, an exporter and a labor intensive operation.) nor did it offer a definition of labor intensiveness.

The lack of clarity about eligibility criteria gave IESC numerous opportunities to propose an imaginative array of VE projects. For example, projects were put forward for a crematorium, golf course, credit card company, automobile dealership, upscale shopping mall and a private hospital. On several occasions the PEO questioned the reasons why PED-funded assistance was being proposed for such projects. These concerns, along with concerns about IESC program management, led to frequent disagreements on many key issues.

Expectations About Project Impact

The absence of a strategic framework for defining the desired impact of IESC's firm-level assistance was the second factor that contributed to AID micro-management: IESC/Kenya had limited guidance on whether its assistance should have been concentrated, all-encompassing or selective. The field office was also uncertain the level of impact it was expected to achieve with AID Grant funds.

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Should USAID have insisted on a more targeted program? In the context of the seven-year goal of 140 interventions, and based on trade association data, IESC's target market consists of over 2,500 firms: 1,000 manufacturers, 500 tourism firms; 100 agribusiness exporters; and hundreds of distributors, and service sector companies. Because the potential market was so large in comparison to IESC's seven-year target, it would have been worth-while to consider whether IESC assistance should have been confined to a speci-fic sector. In doing so, there would have been less ambiguity and disagreement on the types of firms to be assisted.

In our view, the size of most sectors was so large in comparison to IESC's modest target of 140 interventions that the strategy of going after a broad range of clients reduced the potential impact of the program by dissipating valuable TA across such an extensive client base.

e. Congruence with USAID Private Sector Strategy

USAID prepared two Private Sector Strategy Statement (PSSS). The earlier PSSS covered the five year period 1985 -1990. The current PSSS applies to 1990 -1995. In this section, we assessed how well IESC services matched the 1985 -1990 private sector strategy by evaluating the extent to which its technical assistance matched Mission goals, strategic objectives and impact targets as stated in the 1985 - 1990 Strategy Statement.

The objective of USAID/Kenya's 1985 strategy was to help the Government of Kenya (GOK) promote sustainable economic growth through private enterprise assistance. IESC's role in implementation of the strategy was to transfer technology and technical skills by providing VE consulting services to small and medium sized enterprises. The target group for the 1985 strategy included any privately undertaken activity that was intended to generate enough income to make a profit and sustain itself.

We have already concluded that IESC effectively transferred technical skills to local firms through its VE projects: 74% of the clients who responded to questions on technology transfer indicated that they had gained new technical knowledge from VEs and 21% had acquired technology by purchasing new equipment.

How well suited were IESC services to the needs of the sectors of private firms targeted for priority assistance by USAID/Kenya in the 1985-1990 Private Sector Strategy Statement? Judging from client responses to questions about Volunteer executives, IESC's VE services were well suited to local firms' needs. The consistently high rating of these services led our evaluation team to conclude that IESC's VE projects fit well with local client needs.

The same cannot be said for IESC's two other services. We noted that the ABLE and Joint Venture Services were not well suited to the needs of privately-owned Kenyan firms. (Our detailed findings on ABLE and JV Services are presented in Section C. Findings 1. Analysis Of IESC/Kenya Operations, k. Able Services and l. Joint Venture Services.)

SECTION D

MAJOR CONCLUSIONS

1.0 OVERALL CONCLUSIONS

- There were both strengths and weaknesses in the IESC Volunteer Executive program. On the positive side, all but one of the assisted firms met the eligibility requirement of being majority-owned by private citizens. The project exceeded its VE targets of 20 interventions per year, delivered most of its assistance to small and medium-sized clients and provided TA to all of the stipulated priority groups. Two-thirds of the assisted firms paid at least the minimum fee. In addition, the bulk of IESC's consultancies fell within the required 1 - 3 month level of effort range anticipated in the PED Grant.

- The qualitative impact of the program was commendable. VEs' skills were well matched to client needs. For over 90% of the VE projects for which firms gave responses in the survey, the firms assessed the knowledge and skills of the VEs as being between "OK" and "Excellent". IESC was especially effective in transferring new technical skills and technology to clients. Many firms interviewed had acquired new technology - some through the transfer of skills and others by using new management systems or machinery.

- Clients responding to the survey indicated that their capabilities had improved from VE technical assistance that was directed at improving their production capabilities. Assisted firms also showed moderate increases in employment, revenues and assets after IESC assistance had been delivered. The program is cost effective: it is less expensive that the average USAID contractor and offers high calibre expertise for the service it delivers.

- IESC's major weaknesses were its inadequate database, monitoring and evaluation and client tracking system; its failure to successfully market its ABLE and Joint Venture Services; its poor organization of group projects; its tendency to offer subsidized assistance to large clients, and the absence of formal planning and marketing systems. Moreover, group projects were of questionable benefit to clients.

- The field's office's accounting and financial management systems were inadequate and below minimum standards of operating proficiency normally adopted by firm-level assistance programs. The IESC program is not financially sustainable because small clients cannot afford to pay full cost for VE assistance. The program is not in a position to achieve this goal if it is to continue to provide assistance to small and medium-sized firms.

- Program management relationships with USAID were not as satisfactory as they could have been. IESC concentrated on its technical assistance targets and used ambiguities and loopholes in the Grant Agreement to pursue many projects which neither met the spirit nor the intent of the Grant. Failure to resolve these ambiguities and to improve IESC's management systems intensified AID's micro-management of the program.

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3.0 SPECIFIC CONCLUSIONS

a. Project Outputs

- IESC exceeded the VE target of 20 consultancies per year for each of the first five years of implementation under the PED Grant. Small clients were the primary beneficiaries of IESC assistance. They accounted for about 60% of the VE consultancies. Two-thirds of IESC's clients were small and medium-sized firms. The field office therefore met one of the key expectations of the Grant: it increased its services to small and medium-sized modern sector businesses.

- IESC did not concentrate exclusively on small and medium-sized firms. However, although it also provided assistance to large firms, that assistance was neither endorsed nor restricted under the PED Grant. But by providing support to large firms, IESC reduced the total amount of support it could have delivered to small and medium sized clients.

- The majority of IESC client firms generate revenues and profits from the domestic market. Less than 10% of the consultancies were provided to export-oriented firms. This occurred because Kenya's manufacturing sector was created under an import substitution strategy. The outcome: most manufacturers lack the capability to target export markets.

- VE assistance has had limited impact on export capacity or foreign exchange generation. IESC was cognizant of productive sector constraints and could have developed a clearer strategy to improve the export capabilities of a greater number of manufacturing firms.

- The distribution between urban and rural-based clients was determined by client location. About one-fifth of the clients assisted had business operations in rural parts of Kenya. This was coincidental. A deliberate plan to establish an equitable balance on a geographic or socioeconomic basis was never established by IESC.

- IESC was reasonably effective in providing assistance by gender: Two-thirds of the VE consultancies went to firms and institutions run by men. One-third were provided to women-owned and managed operations. Women owned almost all of the small companies which they managed and about half of the medium sized firms in which they held executive positions. Only one of four large companies had at least one such owner.

- Agribusiness firms fit into more priority categories than any other group of assisted clients: over 50% of VE interventions were delivered to small and medium sized companies located in rural areas and involved in labor intensive activities that produced products for export markets.

- IESC determined fee rates on the basis of company sales. But small clients were never singled out for lower rates or higher subsidies. Medium sized firms benefitted the most from IESC interventions: They received the highest subsidy; paid the lowest fees and, when classified by sales volume, were assisted more frequently than larger or smaller firms. Eight out of

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every ten clients paid more than the expected average fees of Ksh.80,000. Most firms and institutions paid about 25% of the total direct costs incurred in delivering VE consultancies.

- IESC was expected to provide most of its VE services to companies with production and operational problems. However, the highest number of interventions occurred in management related areas such as business planning, training, information system assessments, personnel management and organizational structure.

- ABLE services seems better suited to larger clients than to small firms. Small companies have basic operational needs and limited experience in launching new export-oriented businesses. They require closer hand holding than is presently provided under the ABLE program.

- The ABLE system in Kenya requires substantial refinement. There is almost no incentive for the IESC Country Director to promote ABLE services. The program does not offer research and contact information on international markets in which Kenyan firms are more likely to penetrate because of geographic proximity. It is unlikely that the Kenya field office will attain the Grant targets of 10 ABLE services per year or utilize the obligated resources for that purpose over the remaining LOP.

- There were no Joint Venture Services in Kenya. The IESC Country Director believes that there are limited prospects for Kenyan ventures with U.S firms and has not actively promoted the program. Given Kenya's nascent stage of export development and current economic and political uncertainties, it is unlikely that these services will be utilized over the rest of the Grant funding period.

- VE consultancies were expected to be no shorter than one and no longer than three months of in-country assistance per client. About 25% of IESC's assistance was outside those limits; 13% were less than one month and 12% were greater than three months duration.

b. Qualitative Impact

- Survey respondents reported that they opted for VE interventions because of IESC's reputations and price. Most survey respondents reported making contact with IESC through local PVOs and as a result of direct marketing efforts of the Kenya Country Director.

- The vast majority of firms interviewed gave IESC high rankings on VE skills matching, their ability to explain things, their relationships with company employees, fulfillment of expected technical assistance and the overall usefulness of the program.

- In a small number of cases IESC's needs assessment/problem identification was too brief. Some clients would have preferred a more detailed approach to analyzing their problems and complained that IESC and the VE resisted requests to change the VE and/or modify the scope of work.

- Respondents benefitted most from VE interventions directed at improving their production systems. Production-related and strategic planning consultancies led to the introduction of new products to a moderate extent, and to increased production and improvement in product quality to a great extent.

- Many clients interviewed had acquired new technology - either through the transfer of skills or through the use of new equipment purchased on the recommendation of VEs. Four out of every five firms ~~interviewed~~ had retained skills passed on by the VE, even when the VE's counterpart had left the firm.

c. Quantitative Impact

- Some respondents claimed that employment, revenues and assets had increased after VE assistance had been provided. Employment grew by 3.3%; real revenues by 3.7%, and real assets by 29% on a weighted average annual basis.

- There was no significant change in markets (local vs. export) as an outcome of VE assistance. The recent deterioration in the economy has also limited access to foreign exchange and raw materials which potential exporters would have needed to develop and sell products in new markets.

- About 80% of the firms interviewed had implemented VEs recommendations at least partially. No more than 15% had implemented recommendations to a very great extent. Many firms were unable to adopt ~~all of the~~ recommendations because of limited access to investment capital.

- There ~~was~~ positive but very low correlations between fees paid and implementation of recommendations, and changes in employment and revenues of assisted firms. On its own, the level of fees paid does not appear to be a motivating factor in the implementation of recommendations.

d. Institutional Capacity and Effectiveness

- Gaps in field office management between out-going and in-coming Country Directors had an adverse effective on the institutionalization of in-country operations and administrative activities. The high CD turnover rate (three in five years) had also had an adverse effect on the adoption of formal project management practices normally expected of USAID-funded programs.

- Implementation of recommendation of the mid-term 1989 evaluation has had mixed results. Needs assessments were improved but not perfected, group projects were not increased as suggested, and IESC did not attempt to combine its TA with that of other firm level programs.

- IESC's informal and unstructured marketing program has been very effective: the program allowed IESC to exceed its grant targets and reach a broad range of small and medium sized clients.

- The field office appeared to have provided its VEs with adequate administrative and operational support. Volunteers interviewed were satisfied with local support. The Country Director acted promptly to resolve problems as they emerged.

- The field office's monitoring and evaluation practices and systems fell far short of what is normally expected of USAID-funded programs. The client tracking system was inadequate; M&E data was often duplicated and records were manually maintained. IESC's evaluation data was also of limited use for monitoring impact since such information was only recorded once - six months after the client had received VE assistance.

e. Administration and Financial Management Systems

- Staffing levels are adequate for field office operations. The office is run by a small staff and there are clear delineations of tasks and responsibilities for each employee. However, personnel skills are limited in accounting and database management.

- Basic computer accounting and database systems are still to be installed by IESC. Installation has been pending for almost two years although the systems required could have been easily procured and installed in Kenya. This is one of the main reasons why IESC has experienced problems with information management.

- Current financial and accounting systems are less than satisfactory and inefficient. Financial information is more than six months overdue and accounting systems are actually maintained by IESC/HQS. The field office has been incapable of responding to USAID's requests for essential data in a timely manner.

- IESC's program is cost-effective. It costs USAID about 50% less to use this program to deliver one-on-one firm level technical assistance than it would if the same services were sourced through a private sector firm.

f. USAID Grant Management

- There has been a tendency for USAID to micro manage the grant program as the Mission became more concerned about IESC's financial and accounting systems and as IESC increasingly attempted to provide technical assistance to unconventional clients.

- There was a reasonable match between IESC's services and the Mission's private sector strategy of 1985-90. Judging from client responses to the survey, we concluded that IESC's services were well matched to the needs of the Kenyan private sector as anticipated under its PED grant.

SECTION E

PRINCIPAL RECOMMENDATIONS

1.0 PROGRAM CONSIDERATIONS

The IESC program was well matched with the Mission's 1985 - 1990 private sector strategy. It now needs to be more concentrated and targeted if it is to achieve a better 'fit' with USAID's current emphasis on SMEs, export development and backward linkages to Kenya's productive sectors. From that perspective, we believe that the present Grant Agreement requires considerable modifications to ensure that the IESC program is more supportive of new private sector projects such as the Kenya Export Development Support Project (KEDS). Beyond current provisions for KEDS-funded IESC interventions to larger firms, USAID should also identify ways in which on-going IESC assistance to small and medium-sized firms can be connected to those larger KEDS-aided exporters and processors.

Such an approach is even more important today than it was previously: The Mission's private sector portfolio is much smaller now than it was when funding for the IESC program was authorized. Special emphasis should therefore be placed on a more focused and coordinated private sector assistance program to maximize the impact of USAID initiatives under less than ideal funding and implementation conditions. It is in this context that we have developed and presented our specific recommendations below.

2.0 SPECIFIC RECOMMENDATIONS

- USAID should continue funding IESC activities until the completion of the life of project in June 1994. The program has been reasonably effective in delivering technical assistance, transferring technical skills and technology and in helping local firms to improve their operations, revenues, employment and investment since its inception.

- For the remaining two-year life of project, USAID should redefine the scope of IESC's technical assistance. The grant agreement should be modified to eliminate ambiguities in the eligibility provisions. This should lead to a clearer understanding of VE project eligibility. In line with the Mission's 1991-1995 private sector strategy IESC should be required to target its assistance on three productive sectors: agribusiness, manufacturing and tourism.

- IESC's program should be focussed within reasonable limits. Although it will access KEDS grant funds, the field office should also develop collaborative strategies to identify small and medium-sized firms that are indirect exporters or suppliers of raw materials and semi-finished inputs to larger exporting firms. The program should be allowed to assist any small or medium-sized firm that can help to enhance Kenya's export capabilities, regardless of whether those firms are being assisted by KEDS or not.

Client fees should not be increased to small and medium-sized companies. Their fees are about the maximum level that they can afford to pay. Large clients should not be excluded from accessing IESC assistance but should be required to pay 100% of IESC's direct costs of providing technical assistance services.

USAID should avoid imposing requirements for more formal marketing plans. IESC's marketing strategy works well and does not need fixing. There should be mutual understanding about what the new focus and priorities of the IESC program should be. Also, the program should be better off if the Mission allows IESC to function with a greater degree of autonomy.

IESC should upgrade its Monitoring and Evaluation (M&E) system. The field office's client tracking system and recording of impact data should be computerized as soon as possible. IESC should also introduce systems to monitor implementation of VE recommendations.

IESC should adopt accounting and financial systems and practices which are acceptable to the Kenya Mission. These systems should allow the field office to prepare expenditure and performance reports in a timely manner. The field office should generate its own financial statements and should not rely on HQS' centralized reporting system for its monthly or semi-annual reports. The skills of the field office administrative staff should be upgraded in line with the recommendations to establish more reliable and effective M&E database, accounting and financial systems.

Under its PED program, IESC should continue to concentrate, almost exclusively, on marketing VE services to small and medium sized firms. ABLE services should be targeted at large clients that can afford to pay full costs and possess management and financial resources to follow-through on market or production opportunities presented in ABLE reports.

Joint Venture Services should be deleted from the program until Kenya's political and economic environment are stabilized. Funds assigned for both ABLE and Joint Venture work should be re-assigned for VE interventions. There are two reasons why this should be done: 1) ABLE activities have produced marginal results and 2) VE consultancies have had far greater impact on client performance and have enhanced the business capabilities of assisted firms.

Because IESC's core grant will no longer fund in-country deficits from VE assignments USAID will have to increase its maximum funding level to ensure that the field office covers all of its technical assistance, administration as well as HQS' VE recruiting costs. The implication: PED grant funding will be utilized at a faster rate than before and the number of VE projects funded under the Grant on an annual basis will be less than before.

IESC should encourage clients to become more involved in the identification and preparation of the scope of work for VE volunteers. The field office should also avoid undertaking projects for which services can be obtained locally.

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SECTION F

LESSONS LEARNED

1. Lesson Learned. Projects that are liberally designed are more likely to attain their quantitative targets but they are also less likely to have a measurable impact on economic activity in selective sectors.

   The PED Grant stipulated that IESC assist small businesses but provided limited guidance on sectors to be emphasized, or the desired characteristics of eligible firms. The result: IESC's assistance was spread over a wide range of clients, businesses and sectors but the potential sectoral benefits of the program were also diluted because no one sector had noticeably benefitted from IESC assistance.

2. Lesson Learned. Group projects need to be carefully defined to ensure that the VE can provide an adequate amount of individual attention to each client; otherwise the approach can be counterproductive.

   In our survey we learned that although the average cost per client was low, the impact of the typical group project was also low. Almost all the group clients interviewed were dissatisfied with those project interventions, partly because the VE could not spend enough time with them to address their individual problems. Group projects coordinated by commercial firms may be more likely to benefit the coordinator than the clients themselves. Private sector development institutions may be more likely to ensure that group projects benefit the intended beneficiaries.

3. Lesson Learned. It is extremely difficult to isolate and measure the impact of firm level assistance on assisted firms. Firms in Kenya are reluctant to report financial information accurately. Other internal and external factors, such as management competence, technical skills, financial resources, economic trends and political considerations are beyond the control of the technical assistance program and often have stronger effects on the performance of private sector firms.

4. Lesson Learned. Greater emphasis should be placed on monitoring the extent to which clients have adopted recommendations developed as part of firm level interventions. Such an approach allows projects to determine the relevancy of the technical assistance delivered, the responsiveness and commitment of clients and the emergence of unexpected constraints to implementation.

5. Lesson Learned. Micro management of donor programs is often a symptom of ambiguities or loopholes in Cooperative, Grant or Contract Agreements.

   In the case of the IESC project, both USAID and IESC could have avoided the frustrations and counterproductive elements of micro management by addressing the key issues which were hindering smooth project implementation.

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APPENDICES

APPENDIX A
SCOPE OF WORK

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APPENDIX B
DOCUMENTS REVIEWED

USAID Mission in Kenya. Private Enterprise Development (PED) Project Paper. April 3, 1987.

USAID Mission in Kenya. Private Enterprise Strategy Paper. October 1990.

USAID Mission in Kenya. International Executive Service Corps. Grant No. AID-615-0238-G-00-7022-00. June 18, 1987.

USAID Mission in Kenya. International Executive Service Corps. Grant No. AID-615-0238-G-00-7022-00. Amendments No.1-5. April 22, 1988 - September 5, 1990.

Ernst and Young Inc., Evaluation Of USAID Private Sector Project In Kenya. Private Enterprise Development Project /IESC, Management and Entrepreneurial Component. June 1989.

Rudel, Ludwig and Therese Belot. Evaluation of IESC Activities, USAID/Morocco. Louis Berger International Inc., January 15, 1992.

Davis, Donn and Edward Licht. Honduras; International Executive Service Corps (IESC) Evaluation. International Science and Technology Institute. January 1989.

Boles, Westley and David Crowther. El Salvador Evaluation Report: International Executive Service Corps (IESC) Technical Assistance Project. Louis Berger International Inc., November 1991.

Atkinson, Keith and Greenberg, Don. Evaluation of IESC Project in Zimbabwe. USAID/Zimbabwe, August 1990.

APPENDIX C
PERSONS INTERVIEWED

Roger Simmons	Deputy Director, USAID Mission to Kenya, Nairobi
Alfreda Brewer	Deputy Chief, Private Enterprise Office and Project Manager, Private Enterprise Development Project, USAID/Kenya.
Anna Maria Watrin	Project Officer, IESC/PED Project Component, USAID/Kenya.
Jennifer Omino	USAID/Kenya Controller's Office, Nairobi
Stafford Baker	Chief, Private Enterprise Office, USAID/Kenya.
Anne Inserra	Evaluation Officer, Private Enterprise Office, USAID/Kenya.

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ATTACHMENT 1

I. ACTIVITY TO BE EVALUATED

The evaluation will focus on the activities of the International Executive Service Corps (IESC), a component of the Private Enterprise Development Project (PED) 615-0238. The evaluation will take place over a 6-week period beginning O/A June 22, 1992 and ending O/A August 1, 1992.

The 7-year IESC Grant 615-0238-G-00-7022-00 has a life-of-project funding of $1,803,535. The overall PACD for the PED Project is September 30, 1994, although funds for the IESC component are anticipated to be fully utilized by June 30, 1993.

II. PURPOSE OF THE EVALUATION

The purpose of the evaluation is to provide USAID/Kenya with an independent analysis of: the degree to which IESC has met the objectives of the Grant and contributed to the goals of the PED Project; the impact IESC assistance has had on the client firms served; and the institutional development and capacity of IESC. This evaluation shall also recommend whether or not USAID/Kenya should continue to fund IESC after the expiration of the current Grant, taking into consideration the effectiveness of IESC, the extent to which IESC services contribute to the broader goals of USAID/Kenya's private sector development strategy, and possible recommended changes or improvements to IESC operations that come to light during the evaluation.

The evaluation will fulfill requirements specified in the Grant Agreement for a major evaluation in year five. Although this evaluation will take place during the life of the Grant, it will be considered the final evaluation since the funding for IESC will be depleted one year earlier than originally expected. The information from the evaluation may be used in the design of a planned follow-on to the Private Enterprise Development Project, which may include continued support for the IESC program.

III. BACKGROUND

A. <u>Grant Objectives and Activities</u>

IESC is a U.S. PVO specializing in providing short-term intensive technical assistance to firms in developing countries. The technical assistance is provided by retired, volunteer American business executives whose experience is closely matched with the firms' needs. In this way, it is intended that high-level expertise will be transferred at a cost far below that which would be required commercially. IESC has been operating in Kenya since 1973, with a break from 1980-1983.

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The objectives of the Grant have been to:

* improve the capabilities of targeted Kenya companies in the areas of production, finance, marketing, management, and related operational areas;

* transfer technological expertise;

* assist IESC in reaching a wider-range and larger number of targeted firms, particularly smaller businesses, by enabling IESC to offer its services at lower fees;

* provide Kenyan businesses with current, valid information on trade and market opportunities;

* improve client firm growth, future efficiency and profitability.

Firms targeted for assistance have been small and medium-sized, modern sector businesses in Kenya in which the majority shareholding is in the hands of private Kenyan citizens or firms. Only firms whose technical assistance needs cannot be filled from within Kenya have been eligible for assistance. A priority has been given to rural-based, women-owned, labor-intensive, exporting, or agribusiness firms. Assistance to other types of firms has been acceptable, but was not supposed to be the focus of IESC's activities.

The current grant covers three types of IESC activities: 1) Volunteer Executive (VE) Projects - the traditional IESC projects which provide short-term intensive technical assistance to targeted firms in Kenya; 2) American Business Linkage Enterprise (ABLE) Projects - which provide in-depth information/research services to targeted private sector enterprises; and 3) Joint Venture Service (JVS) Projects - which provide links between Kenyan and American companies in an effort to promote joint ventures.

The VE projects have been grant-funded since the start of the Grant in June 1987, whereas the ABLE and JVS projects were added to the Grant's scope of activities in August 1990. It was anticipated that 20 Kenyan firms and/or groups of firms would be assisted by IESC's VE project per year; 10 Kenyan firms would be assisted by IESC's ABLE project per year; and 4 JVS projects and 1 JVS follow-up project would take place per year.

B. Relationship to Overall Project

The PED Project began in June 1987 with a total life-of-project funding of $25 million. The overall purposes of the PED Project are to: strengthen institutions that can affect Kenya's business environment; and to encourage growth among Kenyan businesses through the financial and advisory assistance those institutions provide.

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IV. SCOPE OF WORK

The evaluation shall cover three broad areas of concern: attainment of the objectives of the Grant Agreement, which will include an assessment of the impact of IESC assistance on client firms; institutional capacity/effectiveness of IESC/Kenya; and future relationship with USAID/Kenya.

The evaluation will be retrospective, assessing accomplishments to date, and will also provide recommendations for possible changes in IESC approaches and practices that might be adopted in a potential future project. The evaluation will cover all activity since the start of the Grant Agreement in 1987.

The evaluation should answer the following questions based on empirical evidence. The evaluators are free to suggest modifications to these questions and/or to address additional issues.

A) Attainment of Grant/Project Objectives

1) Have the outputs described in the Grant been achieved? (number of clients assisted, number of priority businesses reached, types of businesses assisted, average client fee paid, type of technical assistance provided, length of consultancy)

2) What has the quantitative and qualitative impact been on the operations of the businesses assisted? Have the production, marketing, and management capabilities within firms been enhanced? Has technology previously unavailable in Kenya been transferred? Have positive changes in client employment, sales, assets, foreign exchange earnings, types of products offered, geographic markets served, and types of customers served been achieved? Have VE recommendations been implemented by client firms?

   Have VEs been useful and effective for the businesses assisted? Have VEs' technical and training or communication skills been adequate?

3) Have IESC clients met their obligations in the program? Did client companies properly describe their technical assistance needs? Have the counterparts within the firms provided necessary logistical support and worked closely with the VEs? Have the firms tried to act on the basis of IESC recommendations? Why or why not?

4) Has USAID/Kenya met its obligations to provide support to IESC/Kenya as specified in the Grant?

5) Have IESC activities contributed to the attainment of the PED Project goals and objectives? Has IESC performance matched that which was anticipated in the PED Project Paper?

Continuation Text

B) Institutional Capacity/Effectiveness

1) What is the current level of development of IESC/Kenya as an institution? What are the strengths and weaknesses of IESC/Kenya's institutional systems? What is the potential for IESC to become a fully sustainable organization?

a) Program Management Systems

Have marketing efforts been adequate? Have client needs been appropriately identified and matched with VE skills? Has adequate support been provided to VEs and clients during the consultancy? Have monitoring and evaluation systems been adequate and implemented effectively? Has proper follow-up been provided to clients? Were the recommendations of the 1989 evaluation of IESC acted upon? Has IESC been able to adjust its standard operating procedures to the Kenya context?

b) Financial Systems/Costs

Are proper financial controls in place? Has the program been cost effective, (what are costs per client assisted, job created, etc...)? Have client fees charged been appropriate/adequate? What implications do the costs of assistance have on the ability of IESC to reach smaller businesses? How does IESC compare to other technical assistance programs for enterprises in terms of cost effectiveness? Have benefits to firms resulting from assistance been greater than the costs of the assistance, (eg. what is the Benefit/Cost Ratio), as anticipated in the Project Paper? Can IESC/Kenya become financially sustainable?

c) Administrative/Management Systems

Have general administrative systems been adequate? Are staffing patterns appropriate for the organization? Have personnel performed effectively? Has adequate support been provided from IESC Headquarters? Is there a clear delineation of responsibilities between IESC Headquarters and the Kenya Field Office?

2) Is IESC/Kenya providing services other organizations are not? Does IESC provide unique advantages when compared to other technical assistance programs for private enterprises in Kenya?

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C) Future Relationship with USAID

1) How well does IESC assistance match USAID/Kenya's Private Sector strategy? (What types of Kenyan firms seem to have been best served by IESC assistance? How well suited are IESC services to the needs of the sectors of private firms targeted for priority assistance by USAID/Kenya?)

2) Should modifications be made in IESC/Kenya's focus, activities, or operational procedures to make it more effective? If so, what changes should be made? Should any of these changes be made during the remainder of the grant period?

3) Should USAID/Kenya assistance to IESC continue after current Grant funds are depleted? Is the overall assessment of IESC's program output, client impact, cost effectiveness, and institutional capacity positive?

V. METHODS AND PROCEDURES

The evaluation is planned to take place over a six week period beginning O/A June 22, 1992 and ending O/A August 1, 1992. The evaluation shall begin with a visit to IESC headquarters in the United States to gather information on IESC/Kenya's organizational systems and on the support provided to IESC/Kenya by the headquarters. Upon arrival in Kenya, the team will first meet with USAID/Kenya staff to review the scope of work and detailed work plan proposed by the Team Leader. The evaluators shall review written material pertaining to the program at USAID and IESC offices. The documents to be reviewed will include: PED Project Paper; Grant Agreement and Amendments; Monthly and Semi-Annual Reports; Previous IESC Evaluations; Client and VE Evaluation Forms; and Country Director Evaluation Forms. The team is expected to interview USAID and IESC/Kenya personnel; all IESC/Kenya Advisory Committee Members; and all volunteer executives who are currently in Kenya. The team shall also design and conduct a questionnaire survey of client firms assisted in Kenya to determine the impact of assistance provided. The survey shall be designed and implemented to produce statistically valid information on client impact. The evaluators may contract the services of local enumerators to assist in administering the survey. (Note that the approximately 120 firms that have been assisted by IESC are located throughout Kenya, but mainly in the larger cities and towns.)

From the documentation, client survey, and other interviews, the team will be responsible for the preparation of the final evaluation report including, but not limited to, answering the questions in Section IV.

The team should note that a six-day working week will be authorized under this contract without premium pay.

VI. EVALUATION TEAM

A) Team Composition

The evaluation team shall be composed of two individuals, possibly assisted by locally contracted enumerators for the survey work.

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1) Team Leader

The Team Leader shall be responsible for supervising the team and for carrying out and directing the overall evaluation. S/he shall be responsible for ensuring that the terms of reference of the scope of work are met. Her/His primary focus shall be to assess the extent to which the Grant objectives have been met, and IESC's institutional effectiveness and program outputs, but s/he shall also incorporate the client impact survey results contributed by the other team member and be responsible for producing the draft and final reports for presentation to USAID/Kenya. The Team Leader is expected to attend all briefings with USAID/Kenya.

2) Survey/Data Specialist

The second member of the evaluation team shall focus on assessing IESC's impact on client firms. This shall be accomplished primarily through a questionnaire survey of clients to be administered during on-site interviews. The Survey/Data Specialist will be primarily responsible for the design of the survey sample and questionnaire. A random sample of clients will be surveyed. USAID/Kenya staff will review and approve the draft and final questionnaire. The Specialist will be responsible for administering the questionnaire, possibly with the help of locally-contracted enumerators, and for analyzing the survey data. All data are to be disaggregated by gender. S/He shall also interpret the results of the survey and their implications for the evaluation of IESC impact on firms. S/He shall assist the Team Leader in incorporating the findings of the survey into the overall evaluation report, thus the client impact survey is expected to be completed in time for inclusion of the findings and implications into the draft evaluation report. The Specialist shall report directly to the Team Leader.

B) Qualifications

1) Team Leader

The Team Leader will have an advanced degree in economics, management, business or the social sciences. S/He must have prior project evaluation experience and knowledge of private sector issues. The Team Leader should also have some previous work experience with private voluntary organizations. S/He should have the quantitative skills to analyze statistically-valid survey data, measure quantitative impact on client firms, and determine the cost effectiveness of IESC's operations. S/He must speak English fluently.

2) Survey/Data Specialist

A degree in economics, statistics, or the social sciences is highly desirable. Experience in both primary data collection methods and data analysis is required. S/he must be familiar with sampling methodologies and should have participated in the design and implementation of field surveys. The Survey/Data Specialist should also have experience in economics or private sector development. The Specialist must speak English fluently; Kiswahili is desirable. The ability to use a spreadsheet or data base software is required.

VII. REPORTING REQUIREMENTS

The contractor shall prepare the following reports and deliverables:

Continuation Text

A) Regular Briefings

The evaluation team will have a briefing with USAID/Kenya on the first workday in Kenya to discuss the overall work plan for the evaluation.

The team shall meet with USAID/Kenya staff on a weekly basis to discuss progress made toward the work plan, any problems or constraints encountered, and possible recommended changes to the original work plan.

The team will make a presentation of its findings (draft report) to USAID/Kenya and IESC/Kenya staff at a final briefing to be held near the end of the contract period.

B) Workplan

The evaluation team shall prepare a detailed workplan outlining how the proposed evaluation will be undertaken. This workplan will be shared with USAID/Kenya at the first briefing, and will have to be approved by USAID/Kenya.

C) Draft Report

The Team Leader will submit five copies of a draft report of the findings to USAID/Kenya by the end of the fifth week from the effective date of the evaluation. The draft report should include the major findings, conclusions, recommendations, & data analysis, and should follow the required format for the evaluation as listed below:

I. Executive Summary
II. Project Identification Data Sheet
III. Table of Contents
IV. Body of the Report
V. Appendices

USAID/Kenya shall have the opportunity to formally comment on the draft report and request revisions if necessary. USAID/Kenya will provide further details on the required format to the evaluators at the initial briefing.

D) Final Report

The Team Leader will submit five copies of the final evaluation report to USAID/Kenya at the end of the sixth week of the evaluation.

E) A.I.D. Evaluation Summary Form

The evaluators shall complete the A.I.D. Evaluation Summary form.

F) Time Frame

The following schedule highlights the due dates for delivery of reports and meetings with USAID/Kenya:

Week 1 Initial Briefing with USAID/Kenya on 1st day in Kenya
End of Week Regular Briefing with USAID/Kenya

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Week 2 End of Week Regular Briefing with USAID/Kenya

Week 3 End of Week Regular Briefing with USAID/Kenya

Week 4 End of Week Regular Briefing with USAID/Kenya

Week 5 Draft Report Due at End of Week

Week 6 Formal Briefing with USAID/Kenya on Evaluation Findings
Final Report Due at End of Week

VIII. Funding

The source of funding for this evaluation shall be the PED Project evaluation funds.

Partial payment of the full contract budget will be made to the contractor upon submission to and acceptance by USAID/Kenya of the following deliverables:

- 30% upon submission and acceptance of the Work Plan
- 50% upon submission and acceptance of the Draft Report
- 20% upon submission and acceptance of the Final Report

EVALUATION OF THE INTERNATIONAL EXECUTIVE SERVICE CORPS (IESC)/KENYA

VOLUME 2:

By

Michael Julien (Team Leader)

and

John T. Mukui (Survey Specialist)

SEPTEMBER 1992

Report Prepared for the Private Enterprise Office, United States Agency for International Development (USAID/Kenya), Nairobi.

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TABLES IN THE TEXT

SCOPE OF THE SURVEY OF IESC/KENYA CLIENTS

1. The purpose of the survey of IESC/Kenya client firms served through the USAID/Kenya grant was to determine the impact of IESC assistance on the firms. The survey was designed to provide statistically valid information on the impact of IESC services on the firms. This type of rigorous survey was felt necessary because the currently available firm-specific information in the IESC/Kenya and USAID/Kenya files is inadequate for making an assessment of impact. Existing baseline data on firms assisted are incomplete and evaluation data are almost non-existent. Both quantitative and qualitative impact information were gathered through the survey. In keeping with USAID/Kenya's monitoring and evaluation systems, the principal quantitative impact indicators used in the survey were changes in the firm's employment, sales, export earnings, and assets.

2. IESC assistance to organizations that are not commercial firms was to be gathered through a similar questionnaire. Where appropriate, questions from the commercial firms' questionnaire were to be applied to these organizations, for example, questions referring to the delivery and appropriateness of IESC services. However, since the impact indicators for these non-commercial organizations must necessarily be different from the impact indicators used for commercial firms, some of the impact questions from the firm survey were to be replaced with new questions designed to measure the impact of IESC services on these organizations. For example, instead of tracking changes in employment, sales, export earnings, and assets, questions were to attempt to track changes in the quality and volume of services, and in the number and type of clients served. The questionnaire was slightly amended to suit the non-commercial organizations[1] (see the Enumerators' Reference Manual for details).

THE TARGET POPULATION

3. For an IESC/Kenya client to be included in the target population, the client had to have received Volunteer Executive (VE) assistance under the USAID/Kenya grant, which started in June 1987. The target population was divided into three strata to begin with:

(a) The commercial firms which each received individualized VE assistance under separate Agreements with IESC;

(b) The Group firms which received assistance from a single VE as a group under a single Agreement; and

(c) Four Private Sector Development Institutions (PSDIs).

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[1]. However, these organizations were not covered in the survey (see paragraph 4 below).

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4. The four private sector development institutions were the Kenya National Chamber of Commerce and Industry (KNCCI), Capital Markets Authority (CMA), Rehabilitation Advisory Services (RAS) and the Kenya Management Assistance Program (K-MAP). K-MAP was removed from the scope of the survey as it received individualized VE project intervention before June 1987[2]. The remaining three private sector development institutions, i.e. KNCCI, CMA and RAS, which received IESC VE assistance under the USAID/Kenya Grant, did not respond to the questionnaire for various reasons. The evaluation did not, therefore, cover the impact of IESC VE services on the PSDIs.

THE SAMPLING TECHNIQUE

5. At the beginning of the survey preparation, the IESC/Kenya Component Manager, Private Enterprise Office, USAID/Kenya, provided the evaluation team with a list of clients served by IESC/Kenya under the USAID/Kenya grant. The clients were classified into the following categories:

(a) Ninety-seven (97) commercial firms, nine of which had more than one VE intervention[3];

(b) Three Group project interventions, only one of which had more than one VE intervention; and

(c) Four private sector development institutions (PSDIs), two of which had received more than one VE project intervention.

As mentioned above, the PSDIs were not included in the survey of commercial firms, and it was therefore not necessary to take a random sample on which to administer the survey questionnaire.

6. It was agreed between the USAID/Kenya and the evaluation team that, since the primary objective of the firm-level survey was to look at impact of VE assistance on commercial firms, it was desirable to take a random sample out of the 97 commercial firms which had received IESC VE assistance under separate agreements with IESC. Since the IESC/Kenya performance targets specified in the USAID/Kenya Grant Agreement are measured by the number of VE project interventions provided rather than the

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[2]. K-MAP was involved in two VE project interventions: first where K-MAP was the beneficiary under a separate agreement, and second where K-MAP was a facilitator for seven of its clients. The VE project intervention that was removed from the scope of the survey was the one where K-MAP was the direct beneficiary.

[3]. A VE Project Intervention is defined as "a consultancy provided by a Volunteer Executive (VE) to an IESC client under a separate agreement". (Source: International Executive Service Corps, IESC Manual, Stamford, Connecticut.)

number of firms assisted, the ideal primary sampling unit should have been a particular VE project intervention, rather than the client firm. However, this would have meant that a firm would be interviewed only on the VE project interventions sampled from the total number of VE project interventions. For example, if a firm had received three VE project interventions, in 1987, 1990 and 1992, and only the VE assistance the firm received in 1992 appeared in the sample selected, the firm would not have been interviewed on the VE assistance provided in 1987 and 1990. This would have created at least three major problems. First, it would have been confusing for the respondents if information was solicited only on particular VE project interventions. Second, since the reference baseline period as defined in the USAID/Kenya Monitoring and Evaluation system refers to the earliest date the firm received IESC VE assistance under the USAID/Kenya Grant, it was necessary to collect information on the earliest VE assistance the firm had received under the Grant. Third, it was considered analytically difficult to disaggregate the impact of different VE project interventions on the firm. Therefore, to ensure that a firm was interviewed for all VE assistance received, the primary sampling unit became the firm. Each firm was to be interviewed on all VE assistance received during the reference period.

7. The size of the random sample to be used in the survey was calculated using the baseline data on employment (79 firms) and sales (73 firms) from USAID/Kenya client firms' database[4]. Using employment data for the 79 firms, and assuming a margin of sampling error (d) of 10 per cent, a significance level of 10 per cent, then the first approximation of sample size (n_o) was computed using the formula:

$$n_o = (NtS/d)^2$$

where N is the population size (97), S is the standard deviation, and t = 1.64 (the normal deviate corresponding to the desired confidence probability of 10 per cent). Using a finite population correction (fpc) where n_o/N is not negligible,

$$fpc = 1/(1 + n_o/N),$$

the desired sample size (n)

$$n = n_o * fpc = 79$$

Using baseline sales data for 73 IESC/Kenya clients funded under the USAID/Kenya grant and the same formulae cited above, the desired sample size was estimated to be 94 firms. Due to the

[4]. The USAID/Kenya database did not include clients who received IESC VE assistance as a group under one VE project intervention, i.e. the database covered only firms which had received IESC VE assistance under separate agreements with IESC. It was, therefore, not possible to select a random sample from the beneficiaries of the Group VE project interventions.

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high sampling fraction (82 per cent using employment data and 97 per cent using sales data), it was decided that the survey should cover all commercial firms in the target population.[5]

8. There were three Group clients: Fresh Produce Exporters Association of Kenya (FPEAK), the Kenya Management Assistance Program[6] (K-MAP) and General Motors (Kenya) Ltd. USAID/Kenya eliminated FPEAK from the scope of the survey on the grounds that USAID/Kenya had requested IESC to provide VE consultancies to FPEAK which were each less that one week in length and <u>without individualized VE assistance</u>, i.e. they received training as a group but each group member did not get individualized attention from the VE (See Annex V). K-MAP had acted as a facilitator for seven of its clients while General Motors (Kenya) had a single VE intervention for 13 of its dealers, all of which are separate commercial entities. It was decided to treat the ultimate beneficiaries of the VE Group project interventions, i.e. K-MAP clients, the General Motors (Kenya) Ltd dealers and GMK headquarters, as the primary sampling units for the purpose of the survey. GMK headquarters was already included in the sample of commercial firms (97)[7].

ADJUSTMENT OF SAMPLE SIZE

9. Due to the inadequacy of data recording and retrieval systems at both IESC/Kenya and USAID/Kenya, there were some firms included in the target population that were later deleted before the field work started. The deleted firms were:

(a) Two commercial firms which had received IESC VE assistance in 1985, i.e. were out of scope of the survey;

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5. The reader is referred to Cochran (1963, pp. 75-77) for the sampling technique.

6. K-MAP was involved in two VE project interventions: first where K-MAP was the beneficiary under a separate agreement, and second where K-MAP was a facilitator for seven of its clients. The beneficiaries of the K-MAP Group VE project intervention were included in the survey of commercial firms. The rest of the report does not include the VE project intervention where K-MAP was the beneficiary because (a) K-MAP is not a commercial firm, and (b) K-MAP received individualized VE project intervention before June 1987.

7. The direct beneficiaries of the GMK dealership VE project intervention were originally intended to be the individual dealers. However, the VE spent most of his time at the General Motors offices, and hence GMK headquarters was treated as one of the ultimate beneficiaries of the VE project intervention for the purpose of the survey.

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(b) Five commercial firms which were either supported by IESC/Kenya outside of the USAID/Kenya grant, or canceled because of insufficient financial contribution by the client;

(c) Two motor vehicle dealers, which had received VE assistance under the GMK Group agreement, but had been included in the survey twice since each dealer had two representatives in the GMK VE project intervention. The two representatives from their respective Mombasa branches were deleted, as it was found unnecessary to interview the two firms twice, at their Nairobi headquarters and their Mombasa branches; and

(d) Four additional motor vehicle dealers (under the GMK Group VE intervention) were deleted from the scope of the survey on the grounds that they had not received "on-site, individualized consultancy" (see Annex V for details).

10. The list of commercial firms was also amended by adding two more commercial firms which had been inadvertently omitted from the original list although they had received VE assistance under the USAID/Kenya grant. Before the survey began, the scope of the survey of commercial firms therefore covered 92 commercial firms (including GMK headquarters) which had received individualized VE project interventions under separate agreements with IESC, seven motor vehicle dealers under the GMK dealership Group VE project intervention, and seven K-MAP Group clients.

PRE-TEST

11. The pre-test was targeted on commercial firms which received individualized VE assistance[8]. The general criteria were:

(a) <u>When the firm first received IESC assistance:</u> In order to find out whether using the respondent's memory recall for most information required on the questionnaire would be a problem, the commercial firms targeted for pre-test were those that received VE assistance between June and December 1987 (i.e. earliest) and 1992 (i.e. latest). Based on this criterion, the firms that received VE assistance in 1987 were 10, while those that received VE assistance in 1992 were 8.

(b) <u>Location in Nairobi</u>: From the two lists, i.e. those who received assistance in 1987 and 1992, all the firms located outside of Nairobi were deleted, leaving 5 firms in the 1987 list and 7 firms in the 1992 list, since time did not permit travel outside Nairobi during the pre-test.

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8. There were no pre-tests on Group clients.

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(c) Different types of impact data: Quantitative impact data include employment, sales, foreign exchange earnings, and assets. In the case of deposit-taking institutions (i.e. banks and non-bank financial institutions), there is likelihood of difference in the interpretation of revenue compared to firms which do not hold public deposits and premiums on trust. Therefore, a financial institution was scheduled to be included in the pre-test, and the only financial institution that satisfied the above criteria (i.e. clients who received VE assistance in 1987 and 1992, and were located in Nairobi) had received assistance in 1987.

(d) Firms in both production of goods and services: Since the financial institution selected had received assistance in 1987, the second firm selected for the pre-test was supposed to be engaged in the productive sector (rather than in the service sector) and had received assistance in 1992. The four firms which satisfied this criterion were in the following sub-sectors: wood, wood products (1), food, beverages and tobacco (1), rubber products (1), and chemical, petroleum, plastic products (1).

12. Due to the problem of making appointments within a relatively short period of time, it was not possible to pre-test the selected financial institution. Two production-oriented firms were interviewed instead. The firm in the "wood and wood products" sub-sector and an additional client who was in the "retail and wholesale trade" sub-sector were pre-tested.

13. Since the survey covered **all** the commercial firms who received VE assistance under the USAID/Kenya grant, the pre-tested firms had, of necessity, to be included in the survey. After revising the questionnaire to reflect the lessons learned from the pre-tests, the information on the pre-tested firms was transferred to the final form of the questionnaire.

14. In addition, there were earlier pre-tests on two other commercial firms using an earlier version of the questionnaire. The data were transferred from the draft to the final version of the questionnaire, and the clients later contacted to fill information gaps for the questions that had either been added or substantially amended from the pre-test version of the questionnaire.

RESPONSE

15. After the field survey was completed, two commercial firms which had responded to the questionnaire were deleted from the scope of the survey. First, Kyu Garments individualized VE project intervention was provided before June 1987, and was therefore outside of the scope of the survey. Secondly, Eastern Engineering Works was deleted from the scope of the survey

because the counterpart was not available after working with the VE for only six days, due to unavoidable circumstances. Thirdly, out of the seven motor vehicle dealers under the GMK dealership VE Group project intervention, only two responded. The other five motor vehicle dealers who did not respond claimed that they were not given individualized VE assistance, and were therefore outside of the scope of the survey. The final scope of the survey therefore consisted of 90 commercial firms which had received separate VE project interventions (including General Motors headquarters), two GMK dealership Group clients, and seven K-MAP Group clients.

16. Out of the total number of 99 commercial firms which were within the scope of the survey, 54 (54.5 per cent) were complete responses, 17 (17.2 per cent) were partial responses, and 28 (28.3 per cent) were non-responses. The non-responses were distributed within the following categories: business under receivership/liquidation (3 firms, 3.0 per cent), business not yet started (3 firms, 3.0 per cent), refusals (8 firms, 8.1 per cent), firms which could not be located (2 firms, 2.0 per cent) and those that could not be interviewed either because the relevant personnel were on leave (8 firms, 8.1 per cent) or were no longer working with the firm (4 firms, 4.0 per cent) when the survey was conducted. There were two firms (which had received assistance under separate agreements), both located in Nairobi when they received IESC VE assistance, whose physical addresses could not be identified. Out of the seven beneficiaries of the K-MAP Group VE intervention, there were two refusals and a third firm could not be interviewed as both ownership and management had changed since the VE assistance was provided.

17. Out of the total 99 commercial firms which were included in the survey, 81 per cent were located in the urban areas (i.e. Nairobi and Mombasa). The proportion of completed responses was higher for the urban areas (63.8 per cent of urban-based firms) than the rural areas (15.8 per cent of rural-based firms). The poor response for the rural firms is attributable to failure to make call-backs, due to long distances from Nairobi and the tightness of the survey schedule. The relatively high non-response rate for rural-based establishments is likely to introduce bias in the results if the characteristics of the non-responding firms are different from the rural-firms which responded. The proportion of partial responses to total number of firms in each category was highest in the trade sector, followed by agribusiness, manufacturing, and services, in that order.

Table 1: COMMERCIAL FIRMS: RESPONSE (INTERVIEW STATUS) BY LOCATION

	Urban		Rural		Total	
	Firms	%	Firms	%	Firms	%
Completed	51	51.5%	3	3.0%	54	54.5%
Partial: Operational firms	9	9.1%	8	8.1%	17	17.2%
Business under receivership	2	2.0%	1	1.0%	3	3.0%
Business not yet started	3	3.0%	0	0.0%	3	3.0%
Refusal	5	5.1%	3	3.0%	8	8.1%
Relevant personnel on leave	6	6.1%	2	2.0%	8	8.1%
Relevant personnel no longer working	2	2.0%	2	2.0%	4	4.0%
Could not be located	2	2.0%	0	0.0%	2	2.0%
TOTAL	80	80.8%	19	19.1%	99	99.9%

Note: The percentage figures are the number of firms in each category as per cent of all commercial firms covered in the survey (i.e. 99).

Source: Responses to Question 2(b).

Table 2: **COMMERCIAL FIRMS: RESPONSE (INTERVIEW STATUS) BY SECTOR**

	AGRIBUSINESS		MANUFACTURING		SERVICES		TRADE		TOTAL	
	Firms	%	Firms	%	Firms	%	Firms	%	Firms	%
Completed	8	8.1%	21	21.2%	18	18.2%	7	7.1%	54	54.5%
Partial: Operational firms	4	4.0%	3	3.0%	2	2.0%	8	8.1%	17	17.2%
Business under receivership	0	0.0%	1	1.0%	2	2.0%	0	0.0%	3	3.0%
Business not yet started	2	2.0%	1	1.0%	0	0.0%	0	0.0%	3	3.0%
Refusal	2	2.0%	0	0.0%	2	2.0%	4	4.0%	8	8.1%
Relevant personnel on leave	0	0.0%	4	4.0%	4	4.0%	0	0.0%	8	8.1%
Relevant personnel no longer working	2	2.0%	1	1.0%	0	0.0%	1	1.0%	4	4.0%
Could not be located	1	1.0%	1	1.0%	0	0.0%	0	0.0%	2	2.0%
TOTAL	19	19.2%	32	32.3%	28	28.3%	20	20.2%	99	99.9%

Note: The percentage figures are the number of firms in each category as per cent of all commercial firms covered in the survey (i.e. 99).

Source: Responses to Question 3.

18. The following are the main reasons for partial responses:

(a) Firms where the main counterpart(s) had left the firm or was on leave and the respondent was therefore not in a position to answer some of the questions [TWO FIRMS];

(b) Reluctance to release the firm's information, especially on quantitative impact indicators e.g. employment, revenue and sales [TWELVE FIRMS];

(c) The respondent's fear that the detailed recommendations given by the VE might fall in the hands of competitors even before the firm has implemented them, especially on the firm' strategic planning and planned changes in firm's structure and production processes [ONE FIRM];

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(d) The respondent's interest in the outcome of the survey [ONE FIRM]. In one instance, a respondent refused to divulge the firms' employment, revenue and assets data on the grounds that the negative growth in impact indicators since IESC VE assistance was provided would give the impression that the VE assistance was not effective[9]. It is not apparent who had briefed the respondent on how the survey data would be analyzed and interpreted;

(e) Firms had changed ownership [ONE FIRM]; and

(f) Enumerators' skipping of questions when hurried by the respondent due to time constraints. This factor mainly affected open-ended questions (e.g. "If yes, why?") that sought clarifications on coded dichotomous variables (e.g "Yes" or "No");

19. Out of the 101 commercial firms, three were feasibility studies which had not been implemented, i.e the firms did not exist. The first, whose VE assistance was on the viability of starting a factory to produce dyes and other by-products, was abandoned on the VE's recommendations. The second was a feasibility study on canning food products, where the plans were shelved because of the firm's limited financial capabilities to implement the VE's recommendations. The third was on the viability of sea-weed farming at the Kenya Coast, which was not implemented although the VE indicated that it was a viable project. The analysis of the quantitative impact of assistance was on commercial firms whose response status were: completed and partial (i.e. if data on the quantitative impact indicators were collected). The analysis of institutional and programmatic processes also covered the respondents who are in "business not yet started" category described above, but that responded to the "VE's processes" sections of the questionnaire.

THE ANALYSIS PLAN

QUESTIONS TO BE ANSWERED BY THE SURVEY OF FIRMS

20. The questions to be answered using the survey data were specified by USAID/Kenya in the expanded Scope of Work. In this section, the questions are reproduced verbatim, followed by the consultants' statements of the approach used to answer the questions raised by USAID/Kenya. The answers to these questions form the body of the survey findings.

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[9]. The respondent said that: "I am reluctant to provide information on employment, revenue and assets, because IESC might believe the VE's work was not effective, but the reasons are more related to decline in general economic climate."

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21. <u>The first part of the analysis will focus on whether firms assisted by IESC/Kenya under the USAID/Kenya Grant Agreement have met:</u>

(a) <u>the eligibility criteria, that they should be majority-owned by private Kenyan citizens or firms; and</u>

(b) <u>at least one priority area, viz, rural-based, small or medium-sized, women-owned, exporting or agribusiness.</u>

For those firms in which the majority share-holding is in the hands of private Kenyan citizens or firms, but have not met at least one priority area mentioned above, the evaluators computed a crude measure of labor-intensity, i.e. the employment/asset ratio. Those firms whose employment/asset ratio is higher than the average for all the firms were assumed to be labor-intensive, and were therefore assumed to fall within the scope of the Grant. The mean employment/asset ratio was computed as the ratio of total baseline employment for all respondents <u>to</u> total baseline assets (re-based to June 1992 using the Nairobi Lower Income Consumer Price Index), provided the firms reported both assets and employment at baseline.

22. As we shall see later, only one firm did not fulfil the eligibility criteria that an IESC/Kenya client should have majority ownership in the hands of private Kenyan citizens. In addition, all the remaining firms fulfil at least one priority area specified in the Grant Agreement i.e. women-owned, small or medium-sized, agribusiness, rural-based, exporting, and labor-intensive. For this reason, it is not feasible to compare the firms that met <u>at least one of the priority areas</u> with those that did not, as required in the consultants' Scope of Work.

23. <u>What proportion of VE recommendations have firms assisted by IESC VEs at least partially implemented? What proportion of VE recommendations have firms fully implemented?</u>

APPROACH: The scores of the extent to which each VE's recommendation has been implemented or carried out by the firm (Question 22(d)) were ranked from 1 to 7, where 1 was "not at all", 7 was "fully" and 4 was "to a moderate extent". The analysis was conducted on the overall degree of implementation of VE's recommendations for the firm rather than per VE project intervention.

<u>at least partially implemented</u>: The scores over all the recommendations were averaged to obtain the degree of implementation for each VE project intervention. The firm's degree of implementation was obtained as the average over all the VE project interventions the firm had received. The firms that had mean scores of 2 to 7 were taken as having <u>at lease partially implemented</u> the VE's recommendations.

Fully implemented: The firms that had mean score of 7 were taken as having fully implemented the VE's recommendations.

Maintained: The scores of the extent to which changes in the firm that were introduced as a result of the VE's recommendations have been maintained by the firm (Question 22(e)) were ranked from 1 to 7, where 1 was "not at all", 7 was "fully" and 4 was "to a moderate extent". The composite degree of the extent to which the VE's recommendations have been maintained by the firm (Question 22(e)) was calculated in the same manner. The firms that had maintained the VE's recommendations to some extent (i.e. scored 2 to 7) and those that had fully maintained (scored 7) were computed.

24. (a) To what degree were the firms served by IESC VEs within the priority areas stipulated in the Grant Agreement, as compared to non-priority areas?

(b) Has IESC VE assistance been more effective or had more impact on firms in priority areas than on firms in non-priority areas? Have firms in priority areas benefitted from/improved as a result of IESC VE assistance to a greater extent than firms in non-priority areas?

APPROACH: The degree to which the firms served by IESC were within the priority areas stipulated in the Grant Agreement was interpreted to mean the proportion of firms that met at least one priority area.

For each priority area (women-owned, rural, small or medium-sized, agribusiness, exporting), the firms were classified into two categories: those in the priority area and those that are not. For each of the two sub-categories, the evaluators computed the number of respondents, the firm's composite degree of implementation of VE's recommendations for all the VE project interventions the firm had received, and the mean and the variance of annual growth rates in employment, real revenue and real assets, in addition to testing the statistical significance of the difference in the means of the impact indicators between the two sub-categories. The analysis will shed light on whether each priority area is associated with performance (as measured by growth in impact indicators) and degree of implementation of VE's recommendations. Since all the responding firms satisfied at least one of the priority areas stipulated in the Grant Agreement, it was not feasible to compare firms that met at least one of the priority areas with those that did not.

25. Has IESC VE assistance been more effective or had more impact on firms in certain sectors than in others? Have firms

in particular sectors benefitted from/improved as a result of IESC VE assistance to a greater extent than firms in other sectors?

APPROACH: The responding firms were separated into four sectoral categories: agriculture, manufacturing, services and trade. For each sector, the consultants computed the number of respondents, the firm's composite degree of implementation of VE's recommendations, and the mean and the variance of annual growth rates in employment, real revenue and real assets, in addition to testing the statistical significance of the differences in the mean growth rates of impact indicators and degree of implementation of VE's recommendations between the four sub-sectors.

26. Has IESC VE assistance been more effective or had more impact on firms in particular size categories than in others? Have firms in particular size categories benefitted from/improved as a result of IESC VE assistance to a greater extent than firms in other size categories?

APPROACH: The responding firms were separated into four size categories: micro-enterprises (1-10 employees), small enterprises (11-50 employees), medium-enterprises (51-100) and large enterprises (over 100 employees). For the four size categories, the analysis was carried out in the same way as for the four-way sectoral classification explained above.

27. Have certain amounts of IESC VE assistance (measured in terms of person-days or person-weeks of assistance) been more effective or had more impact than other amounts? Have firms that received certain amounts of VE assistance benefitted from/improved to a greater extent than firms that received other amounts?

APPROACH: The total length of VE assistance is the number of weeks the VEs have spent with the firm since June 1987, excluding for the project interventions that may have been prematurely terminated for any reason. The duration of VE assistance was derived using responses to Questions 7 and 8. The length of assistance was separated into: less than four weeks, 4 - 6 weeks, 6-8 weeks, 8-10 weeks, 10-12 weeks, 12-14 weeks, 14-16 weeks, 16-18 weeks, 18-20 weeks, 20-22 weeks, and 22-24 weeks. Regression analysis was performed on the duration of VE assistance in person-days as the independent variable vis-a-vis each of the following variables: degree of implementation of VE's recommendations, and annual average growth rates in employment, real revenue and real assets. Since only five firms had responded on a second VE project intervention, the data on the duration of the second intervention were not utilized for the purpose of analyzing the relationship between duration of VE assistance and changes in impact indicators and the degree of implementation of VE's recommendations.

28. <u>Has IESC VE assistance been more effective or had more impact on firms that paid certain proportions of total assistance fees than firms that paid other proportions? Have firms that paid a particular proportion of total assistance fees benefitted from/improved as a result of IESC VE assistance to a greater extent than firms that paid another proportion?</u>

APPROACH: The actual fees paid per month for each VE project intervention were converted to reference year 1991 using Nairobi Lower Income Consumer Price Indices. For a firm that received more than one VE project intervention, an average of the client fees paid per month (re-based to reference year 1991) over all the project interventions was taken as the average client fees paid by the firm. The proportion of client contribution to total cost of IESC VE services was obtained by dividing the firm's client fees paid with the actual cost given in Question 35(b) of the questionnaire i.e. KShs 394,000 per month. Correlation analysis was performed on the derived client contribution to total cost of IESC VE services <u>with</u> the following variables separately: degree of implementation of VE's recommendations, and annual growth rates in employment, real revenue and real assets.

29. <u>Has IESC VE assistance been more effective or had more impact on firms that received more than one VE intervention than for firms that received only one VE intervention? Have firms that received more than one VE intervention benefitted from/improved more than firms that received only one intervention?</u>

APPROACH: The survey data was not sufficient to address this issue since there were only five firms that responded on the second VE project intervention, out of nine firms that had received more than one VE project intervention.

VARIABLES TRANSFORMATION AND ESTIMATION PROCEDURES[10]

30. The questionnaires were numbered sequentially beginning one for the purpose of data entry.

31. The definition of urban area given by USAID/Kenya was:

Urban = Nairobi + Mombasa

Rural = Rest of Kenya

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[10]. Does not include computation of frequencies, mean, and median of each variable separately.

32. For sectoral classification, the survey used the codes in the questionnaire to arrive at the following composite sector definitions:

Define:	AGRIBUSINESS	=	101, 102, 103, 403
	MANUFACTURING	=	401-402, 404-412
	SERVICES	=	501-510
	TRADE	=	601, 602

"Services" include "business, professional associations" (code 503), which was supposed to cover Private Sector Development Institutions (PSDIs) i.e. the Kenya Management Assistance Program (K-MAP), Rehabilitation Advisory Services (RAS), the Kenya National Chamber of Commerce and Industry (KNCCI) and the Capital Market Authority (CMA). However, none of the PSDIs was interviewed. Agribusiness includes agriculture and "food, beverages and tobacco" sub-sector of manufacturing. The data on the manufacturing sector will be analyzed in two ways: with and without "food, beverages and tobacco" sub-sector.

33. The Nairobi Lower Income Consumer Price Index (NLICPI), produced by the Central Bureau of Statistics, Ministry of Planning and National Development, Kenya, was used to convert nominal values of total revenue, revenue from export sales, and assets to real terms, so as to generate growth rates in real terms[11]. For the data on Total Revenues and Total Revenue from Export Sales for each firm, the NLICPI data was the average of the monthly consumer price indices for the reference year reported on by that firm i.e. if the reference period was January to December, 1991, the NLICPI was the average of the 12 months' CPIs for all the months from, and including, January to December 1991. Real assets were obtained by dividing the nominal value with the CPI for the relevant month.

34. To calculate a firm's growth rate for the quantitative indicators of impact of VE assistance (i.e. employment, revenue and assets):

$$\text{Average Annual growth rate} = \frac{12 * (\text{After} - \text{Baseline})}{\text{baseline} * (\text{Months elapsed since assistance began})}$$

To calculate the overall average change of a quantitative variable among all the firms assisted over the period, each firm's annual growth rate was weighted by its baseline figure, i.e.

Weighting factor = (Baseline for firm)/Total baseline for all firms

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[11]. The Nairobi Lower Income Consumer Price Index, compiled by the Central Bureau of Statistics, is used by the International Monetary Fund as the general index of consumer prices. The index includes rent and has January-June 1975 base.

The baseline and most recent data on total revenue, revenue from export sales, and assets were defined in real terms for the purposes of deriving the weighted average growth rate in the quantitative impact indicator.

35. The measure of size used to classify size of firms surveyed was the level of employment. The definition used was provided by USAID/Kenya and had four categories of firms, by size: micro-enterprises (those that employ 1 - 10 persons), small enterprises (11 - 50 employees), medium enterprises (51 - 100 employees), and large enterprises (over 100 employees).

36. The eligibility criteria for IESC VE assistance stipulated in the Grant Agreement is that a firm or business association should be majority-owned by private Kenyan citizens. The priority areas stipulated in the Grant Agreement are: small and medium-sized, agribusiness, export business, and labor-intensive business. However, in March 1991, USAID/Kenya added two other priority areas: rural-based and women-owned businesses.

37. The impact of VE assistance was measured by the growth in employment, real revenue and real assets, and firm's degree of implementation of VE's recommendations. Various analyses were carried out to test whether certain specified factors are associated with differences in impact of assistance. A key factor covered in the analysis was whether firms in a priority area (e.g. rural-based) reported significantly different growth rates in employment, real revenue and real assets, and degree of implementation of VE's recommendations, <u>compared</u> to firms outside of the priority area (i.e. urban-based).

38. The data allowed for analysis of growth in quantitative impact indicators and qualitative information vis-a-vis the following priority areas: ownership by gender, size as measured by employment levels, rural-based, agribusiness and exporting. However, it was determined to be impractical to analyze growth rates in impact indicators and degree of implementation of recommendations vis-a-vis labor-intensity. This is mainly because the data collected from the survey was insufficient for calculating labor-intensity. The data collected allows analysis by asset/employment ratio i.e. as a proxy of the amount of capital required to generate a single job in the firm. However, this is a very crude measure of labor intensity as it does not take into consideration the skill intensities (unskilled, semiskilled, skilled labor), and the cost of labor. The asset/employment ratio will therefore not be cross-tabulated with the degree of implementation of recommendations and changes in quantitative impact indicators. The data on labor costs in monetary terms was not collected in the survey.

39. The analysis was conducted by dividing the respondents into two separate samples, one that has fulfilled a priority area and one that has not e.g. rural-based versus urban-based. For each variable (e.g. the degree of implementation of recommendations, growth in each quantitative impact indicator), the statistical inference of whether there is significant difference in the

sample means was determined by the use of Student's T-test. The Null Hypothesis (H_0) is that there is no difference in the sample means between the two sample categories. We write:

Null hypothesis, H_0: $\mu_1 = \mu_2$

Alternative hypothesis, H_1: μ_1 is not equal to μ_2,

where μ_1 and μ_2 are the means of the two samples. The test is conducted at 0.10 significance levels (α). The sample means and the sample variances, S_1^2 and S_2^2, are computed so as to generate the pooled T-values. Since the two samples come from the same population (i.e. have a common unknown variance), the t-test using "pooled variance" is the most appropriate. The variability of t-statistic is contributed by two random quantities, the mean (μ) and the variance (σ^2). The variability of t decreases as the sample size (n) increases. When n is very large, the t-distribution approaches normal distribution. The responses to the questions in the questionnaire are sufficient as to make the t-statistic fairly efficient in testing differences between the means of the two strata.

40. When applying a test of significance, we calculate the probability (P) that a given result would occur if the Null Hypothesis were true. If this probability is equal or less than the given value of α, the result is said to be significant at the level of α. Since the alternative to the Null Hypothesis $\mu_1 = \mu_2$ is that μ_1 is not equal to μ_2, irrespective of whether μ_1 is greater or less than μ_2, we shall use a Double-Sided t-test. The double-sided 10 per cent probability implies 5 per cent on either tail. The critical values of t are read in the nomogram available in most statistics textbooks.

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SUMMARY OF THE MAIN FINDINGS

CHARACTERISTICS OF THE SAMPLED POPULATION

41. The Tables below show the levels of employment, real total revenue, real revenue from export sales, and real assets, for both the baseline period (i.e when the firm first received IESC VE assistance) and the most recent period for which data were available. The data on total revenue, revenue from export sales, and total assets, for both the baseline and the most recent period, was re-based to June 1992 using the Nairobi Lower Income Consumer Price Index. In the case of employment, the major category of responding firms was the "small enterprises", with 42.6 per cent of the respondents at baseline and 47.5 per cent for the most recent period. The proportion of "small and medium-sized" firms (i.e. within the priority area defined by level of employment) was 82 per cent at baseline and 74 per cent for the most recent period. The average level of employment increased from 80 to 91 during the reference period[12]. The weighted annual average growth in employment for firms which reported both baseline and most recent period (62) was 3.3 per cent.

Table 3: **TOTAL NUMBER EMPLOYED**

	Baseline		Recent	
	Firms	%	Firms	%
1 - 10	9	14.8	6	9.8
11 - 50	26	42.6	29	47.5
51 - 100	15	24.6	10	16.4
> 100	11	18.0	16	26.2
Respondents	61	100.0	61	99.9
Average employment	79.5	N/A	91.3	
Simple average annual growth rate (%)				8.2
Weighted average annual growth rate (%)				3.3
Number of firms				62

Note: The data is for firms that reported employment data at both baseline and the most recent period.

Source: Responses to Questions 31(a) and 32(a).

42. Table 4 gives employment by gender for both the baseline and the most recent period. The aggregate proportion of female employees to total employees among the firms that responded to both Questions 31(a) and 32(a) remained the same (28 per cent) at baseline and the most recent period. The share of female employees in total employment at both baseline and the most recent period was highest for large enterprises (i.e. with over

12. The average levels of employment at both baseline and the most recent period fall under the medium-size category of establishments.

100 employees), while medium-sized enterprises (with 51 - 100 employees) had the lowest share of female employees.

Table 4: **EMPLOYMENT BY GENDER AND FIRM SIZE**

Firm size --->	Micro	Small	Medium	Large	Total
BASELINE					
Number of firms (total)	9	26	15	12	65
Number of firms (with female employees)	8	24	14	12	61
Number of firms (gender not specified)	0	0	1	1	2
Per cent female (for entire group)	27.87	24.76	23.50	30.79	28.24
RECENT					
Number of firms (total)	6	29	10	17	62
Number of firms (with female employees)	5	28	10	15	58
Number of firms (gender not specified)	0	0	0	2	2
Per cent female (for entire group)	17.65	27.47	16.1	31.11	28.36

Note: The data is for firms that reported employment at both baseline and the most recent period.

"Gender not specified" refers to the firms that reported total employment but did not give breakdown by gender.

"Entire group" is all respondents within the given category, whether they had female employees or not.

Source: Responses to Questions 31(a) and 32(a).

43. Using data ranked by real total revenue, 32.6 per cent of firms fell in the Shs 0-10 million range using the most recent data. Only two firms (4.7 per cent) had total real revenue less than or equal to Shs 1 million a year. The real average revenue (re-based to June 1992) increased from Shs 56.8 million at baseline to Shs 58.2 million over the period. The weighted average annual growth in real revenue was 3.7 per cent for the 43 firms which reported total revenue for both baseline and the most recent period, while the simple average annual growth in real revenue was 7.4 per cent.

44. There were 15 exporting firms at baseline periods (out of 50 firms which reported data on revenue) and 14 for the most recent period. The weighted average annual growth rate in real export revenue for the 11 firms that reported having export revenue at both baseline and the most recent period was 5.8 per cent. Most respondents (7 firms, 64 per cent) each exported goods and services worth Kshs 10 million or less. Using data for the baseline period, the exporting firms were in agribusiness (4 firms), manufacturing other than of "food, beverages and tobacco" (10 firms) and trade (1 firm). If the exporting firms at baseline period are grouped by broad economic category, three firms were in agriculture, 11 firms in manufacturing (including "food, beverages and tobacco" sub-sector) and one firm in trade.

Table 5: **REAL TOTAL REVENUES (KSHS)**

	Baseline Firms	Baseline %	Recent Firms	Recent %
< 1 million	2	4.7	2	4.7
1 - 5 million	8	18.6	9	20.9
5 - 10 million	2	4.7	3	7.0
0 - 10 million	12	27.9	14	32.6
10 - 20 million	11	25.6	7	16.3
20 - 40 million	4	9.3	8	18.6
40 - 100 million	9	20.9	7	16.3
100 - 200 million	3	7.0	3	7.0
200 - 400 million	4	9.3	4	9.3
Respondents	43	100.0	43	100.1
Average real Revenue (KShs)	56,824,329			58,218,847
Simple average annual real growth rate (%)				7.4
Weighted average annual real growth rate (%)				3.7
Number of firms				43

Note: Both baseline and recent revenue data has been re-based to June 1992 using the Nairobi Lower Income Consumer Price Index.

The data is for firms that reported revenue at both baseline and the most recent period.

Source: Responses to Questions 31(b) and 32(b).

Table 6: TOTAL REAL EXPORT REVENUES (KSHS)

	Baseline		Recent	
	Firms	%	Firms	%
< 1 million	2	18.2	2	18.2
1 - 5 million	4	36.4	3	27.3
5 - 10 million	1	9.1	2	18.2
0 - 10 million	7	63.6	7	63.6
10 - 20 million	2	18.2	1	9.1
20 - 40 million	0	0.0	1	9.1
40 - 100 million	0	0.0	0	0.0
100 - 200 million	1	9.1	1	9.1
> - 200 million	1	9.1	1	9.1
Respondents	11	100.0	11	100.0
Average Real Export Revenue (KShs)	49,340,508			54,461,331
Simple average annual real growth rate (%)				8.2
Weighted average annual real growth rate (%)				5.8
Number of firms				11

Note: Both baseline and recent export revenue data has been re-based to June 1992 using the Nairobi Lower Income Consumer Price Index.

The data is for firms that reported export revenue at both baseline and the most recent period.

Source: Responses to Questions 31(c) and 32(c).

45. The size distribution of firms by total assets roughly corresponds to the distribution using total real revenues, with the largest category of firms (40 per cent at baseline and 36 per cent using the most recent data) having real asset levels of Shs 0-10 million. The weighted annual average growth in real total assets was 29.0 per cent.

Table 7: **TOTAL REAL ASSETS (KSHS)**

	Baseline Firms	Baseline %	Recent Firms	Recent %
< 1 million	7	15.6	5	11.1
1 - 5 million	8	17.8	9	20.0
5 - 10 million	3	6.7	2	4.4
0 - 10 million	18	40.0	16	35.6
10 - 20 million	8	17.7	6	13.3
20 - 40 million	5	11.1	6	13.3
40 - 100 million	7	15.6	7	15.6
100 - 200 million	6	13.3	6	13.3
> - 200 million	1	2.2	4	8.9
Respondents	45	99.9	45	100.0
Average real Asset levels (KShs)	60,200,335		100,954,073	
Simple average annual real growth rate (%)				72.4
Weighted average annual real growth rate (%)				29.0
Number of firms				45

Note: Both baseline and recent assets data has been re-based to June 1992 using the Nairobi Lower Income Consumer Price Index.

The data is for firms that reported assets at both baseline and the most recent period.

Source: Responses to Questions 31(d) and 32(d).

ELIGIBILITY CRITERIA

46. The eligibility criteria for IESC VE assistance under the USAID/Kenya Grant is that the potential firm or organization must be majority-owned by private Kenyan citizens. All the respondents had majority shareholding in the hands of private Kenyan citizens, except one in which the majority ownership was in the hands of the Kenya Government at the time the firm received IESC VE assistance. No firm had majority foreign equity holding. Therefore, only one firm did not fulfil the eligibility criteria that the IESC/Kenya client firms, whose VE project interventions were subsidized under the USAID/Kenya Grant, should have their majority shareholding in the hands of private Kenyan citizens at the time they apply for IESC VE assistance.

47. There are four private sector development institutions, i.e. Kenya National Chamber of Commerce and Industry (KNCCI), Rehabilitation Advisory Services Limited (RAS), Capital Markets Authority (CMA) and the Kenya Management Assistance Program (K-

MAP) that were listed as having received IESC VE assistance under the USAID/Kenya Grant. KNCCI fulfills the eligibility criteria since it is a lobby group for the interests of the Kenyan business community, and is owned by the members through their subscriptions. Both RAS and CMA are supposed to boost the development of the private sector and the capital markets in Kenya, and could therefore be taken as falling within the spirit (but not the scope) of the Grant, i.e. by virtue of boosting the enabling environment for the primary IESC/Kenya target group. Since K-MAP, RAS and CMA are also beneficiaries of the USAID/Kenya Private Enterprise Office support, they should be eligible for IESC VE assistance, but preferably payable from their respective grants, rather than the IESC/Kenya budget component.

PRIORITY AREAS

48. Ownership by gender. Out of 61 firms which responded to the Question 2(i), 26 (42.6 per cent of respondents) had at least one female who had equity holding in the firm, while 35 (57.4 per cent) did not have female ownership. However, since the questionnaire did not solicit information on the proportion of female equity ownership, it is not possible to calculate the weighted women-ownership of the firms. The ratio of female equity to total equity for all the responding firms is likely to be lower than the proportion of firms with at least one female owner to all the responding firms.

49. Measure of Size. The largest category of firms is the small enterprises category (11-50 employees), with 42 per cent of the respondents, followed by medium enterprises (23 per cent), large enterprises (20 per cent) and micro-enterprises (14 per cent). Due to the skewness of the distribution of employment data, the average number of employees for all the responding firms was in the range of 51-100 employees (medium-size) while the largest category of respondents were small enterprises (11-50 employees).

50. Sectoral priority. The manufacturing sector received the largest share of IESC VE assistance (32 per cent), followed by services (28 per cent), trade (20 per cent) and agribusiness (19 per cent). However, the sectoral classification used in Table 8 puts "food, beverages and tobacco" sub-sector under agribusiness. If the "food, beverages and tobacco" sub-sector is re-classified under manufacturing, then agriculture would have constituted 11 firms (11 per cent) and manufacturing, 40 firms (40 per cent).

51. Rural Priority. The number of rural firms (i.e. those located outside Nairobi and Mombasa) comprised 19 per cent of the respondents, while 81 per cent of the firms were urban-based at the time of the survey. It appears that no firm had changed location between the period the firm received VE assistance and when the survey was conducted, i.e. July 1992. However, the

questionnaire did not solicit information on the location of the business at the time the VE assistance was provided.

52. Exporting. The number of firms which reported producing for export at the baseline period, i.e. when the IESC VE assistance was received, were 15 (29 per cent), while 36 (71 per cent) reported producing solely for the domestic market, i.e. reported as earning total revenue (Question 31(b)) but reported "nil" on revenue from export sales (Question 31(c)). The non-response to the questions on total revenue and revenue from export sales was the highest in the whole questionnaire.

53. The commercial firms which responded either partially or fully were screened for size, location, women-ownership, agribusiness and exporting, in that order, using the firms' baseline data. There were only four firms which did not fulfil at least one of the size, location, female-ownership, agribusiness, or exporting priority areas. The four firms in the negative list are in the following sub-sectors: "textile, garments", "metal products", "wood, wood products" and "transport, related support services". The firms' operations are labor-intensive, and hence fulfil at least one of the priority areas in the Grant Agreement. The crude measure of labor intensity was the employment/asset ratio[13].

54. Out of a total of 77 responding firms, 39 (50.6 per cent) satisfied one priority area, 28 firms (36.4 per cent) satisfied two priority areas, 8 firms (10.4 per cent) satisfied three priority areas, and two firms (2.6 per cent) satisfied four priority areas. On average, each firm satisfied 1.6 priority areas. Information on location of non-responding firms was collected by the enumerators, hence the higher response on priority areas (77 firms) compared to the number of firms whose response status were either partial or completed (71).

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[13]. The mean employment/asset ratio was computed as the ratio of total baseline employment for all responding firms to total baseline real assets, provided the firms reported both assets and employment at baseline. Those firms whose employment/asset ratio was higher than the mean ratio for all the firms were assumed to be labor-intensive, and were therefore assumed to fall within the scope of the Grant. However, the mean employment/asset ratio was not a very meaningful benchmark for deciding whether a firm had met the labor-intensity priority area, as it was a relative measure derived from the survey data.

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Table 8: NUMBER OF FIRMS BY PRIORITY AREAS (BASELINE DATA)

		Number of firms	Per Cent of firms who responded
1.	Ownership		
	Kenyan majority: Private Kenyan citizens	98	99.0
	Kenyan majority: Kenya Government	1	1.0
	Foreign majority	0	0.0
	Non-response	0	N/A
2.	Ownership by Gender		
	Women-owned	26	32.5
	No female-ownership	35	43.8
	Corporate ownership	19	23.8
	Non-response	19	N/A
3.	Size categories		
	Micro-enterprises (1-10 employees)	9	14.1
	Small Enterprise (11-50 employees)	27	42.2
	Medium Enterprises (51-100 employees)	15	23.4
	Large Enterprises (over 100 employees)	13	20.3
	Non-response	35	N/A
4.	Sectoral priority		
	Agribusiness (including "food, beverages and tobacco")	19	19.2
	Manufacturing (excluding "food, beverages and tobacco")	32	32.3
	Trade	20	20.2
	Services	28	28.3
	Non-response	0	N/A
	Memorandum items		
	Agriculture	11	11.1
	Manufacturing (including "food, beverages and tobacco"	40	40.4
5.	Rural Priority		
	Rural	19	19.2
	Urban	80	80.8
	Non-response	0	N/A
6.	Exporting		
	Exporting	15	29.4
	Non-exporting	36	70.6
	Non-response	48	N/A

Note: N/A means "not applicable" as the per cent of the firms refers to those who responded to the relevant question in the questionnaire.

Agribusiness includes "agriculture" and "food, beverages and tobacco" sub-sector of manufacturing.

PROGRAM OUTPUTS

55. Program outputs will be analyzed by using data on number of firms assisted, type of VE consultancies, and number of interventions. The number of firms assisted has already been covered in the section on "Response". The number of firms assisted consisted of 90 commercial firms which had received separate VE project interventions (including General Motors headquarters), two GMK dealership Group clients, and seven K-MAP Group clients.

56. Based on responses to Question 9 of the questionnaire, the most frequent type of VE consultancy provided has been on

improvements in production systems of IESC/Kenya clients (38 VE interventions, 48 per cent of responses for VE project interventions), followed by business/strategic planning (13 interventions, 17 per cent). However, the count on the actual assistance provided (Question 23(b)) shows that the VEs contribute in other operational areas of the firms. The mean score of the extent to which the firm's capabilities were enhanced by the VE assistance shows that improvement in production processes scored the highest (score of 5.15 out of a maximum of 7, where 1 is "not at all", 7 is "to a very great extent" and 4 is "to a moderate extent"), followed by organizational management (score of 5.12). This shows that the VE assistance has been mainly in production and that the greatest impact has been in improvement in the production capabilities of the client firms.

Table 9: PROBLEMS VOLUNTEER ASSISTED THE FIRM WITH

Label	Frequency	Per cent
Production	38	48.1
Marketing	13	16.5
Financial Management	4	5.1
Personnel Management	5	6.3
Business/Strategic Planning	13	16.5
Organizational Management	4	5.1
Other	1	1.3
None	1	1.3
TOTAL	79	100.2

Source: Responses to Question 9. The frequencies refer to responses for VE project interventions.

Table 10: OPERATIONAL AREAS VOLUNTEER ASSISTED THE FIRM WITH

Label	Frequency	Per cent	Mean score
Production	34	19.1	5.15
Marketing	28	15.7	4.68
Financial Management	22	12.4	4.68
Personnel Management	26	14.6	4.50
Business/Strategic Planning	35	19.7	4.69
Organizational Management	33	18.5	5.12
TOTAL	178	100.0	
GRAND MEAN SCORE			4.83

Note: The response rate by number of VE project interventions was higher for Question 9 than Question 23, hence the inconsistency in the count on "production" between problems the VE assisted the firm with (Question 9) and the operational areas VE assisted the firm with (Question 23).

Source: Responses to Question 23(b) and 23(c).

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57. Table 11 compares the various types of VE consultancies (Question 9) against the following factors: whether firms introduced new products as a result of VE assistance (Question 18(a)), increased volume of total production and/or services due

to VE assistance (Question 33(b)), improved quality of products as a result of VE assistance (Question 17), and whether the kind of consultancy provided by the VE was available within Kenya (Question 29(b)). In Table 11, responses to Question 17, 18(a) and 29(b) are for all VE project interventions, while responses to Question 33(b) exclude firms that had more than one VE project intervention the firm had received. Most of the production-related VE consultancies were reported as having led to increased production and improvement in quality of products, and led to introduction of new products. Production-related VE consultancies were reported as largely unavailable within Kenya. Most of the business/strategic planning VE consultancies were reported as having led to introduction of new products, to increased production and improvement in quality of products and/or services.

Table 11: **IMPACT BY TYPE OF VE CONSULTANCY**

Label	Introduced New Products (Interventions)		Increased Production (Firms)		Improved Quality (Interventions)		Type of Assistance Locally Available (Interventions)	
	Yes	No	Yes	No	Yes	No	Yes	No
Production	13	22	17	4	29	4	4	28
Marketing	2	10	4	1	6	3	3	10
Financial Management	2	2	1	1	2	2	3	0
Personnel Management	0	5	2	0	4	0	1	0
Business/Strategic Planning	7	5	8	1	9	2	5	5
Organizational Management	3	1	3	1	3	1	2	2
VE Project Interventions	27	45	35	8	53	12	18	45
(%)	37.5	62.5	81.4	18.6	81.5	18.5	28.6	71.4

Source: Responses to Questions 9, 17, 18(a), 29(b) and 33(b).

MULTIPLE COOPERATING (GROUP) CLIENTS

58. There are three firms/organizations that have received Group VE assistance from IESC/Kenya under the USAID/Kenya Grant:

(a) Fresh Produce Exporters of Kenya (FPEAK);

(b) The Kenya Management Assistance Program (K-MAP); and

(c) General Motors (Kenya) Ltd (GMK dealership).

USAID/Kenya deleted FPEAK from the scope of the survey (see Annex V). This is because USAID/Kenya had requested IESC/Kenya to provide the VE consultancy to FPEAK for a duration of less than one week and without individualized VE assistance.

59. The VE assistance to K-MAP, which was provided in 1989, was targeted at seven K-MAP client firms, six of which were in the "restaurants, bars, lodges" sub-sector and the seventh was a travel agency. The VE provided individualized assistance to K-MAP clients at their business locations, which ranged from

several hours to three days per client. The VE consultancy was negotiated, signed, and paid for by K-MAP.

60. Out of the seven K-MAP clients, one firm could not be interviewed as both ownership and management had changed since the VE assistance was provided. K-MAP secretariat was also not interviewed since the K-MAP Program Administrator, who organized the VE intervention, had left K-MAP by the time of the survey. There were two refusals for interviews within the K-MAP Group VE intervention. The respondents were therefore only four in the group. The respondents are micro and small-sized restaurants and hotels, with total employment ranging from 3 (the smallest) to 28.

61. The VE worked on an individualized basis with two client firms for half a day each and for two days with the third client firm. The fourth client reported that the firm received assistance in group sessions with other clients. Generally, the respondents felt that the time the VE spent with them was too short to have much impact on their operations. Two clients who responded to Question 40 reported that the assistance they had received from K-MAP was more useful than that of IESC.

62. The GMK dealership VE intervention was primarily intended for thirteen (13) motor vehicle dealers. However, six intended beneficiaries were deleted from the scope of the survey for the following reasons:

(a) Two dealers had been included in the survey twice, as they had representatives from both their Nairobi and Mombasa branches. Since the Nairobi branches were the headquarters, it was found unnecessary to interview the Mombasa branches of the same firms. Therefore, the two Mombasa branches were deleted.

(b) Another four dealers did not receive on-site, individualized assistance, and were therefore considered to be outside of the scope of the survey.

63. Therefore, only seven GMK Group dealership clients and the General Motors (Kenya) Ltd were within the scope of the survey. However, General Motors did not fulfil the eligibility criteria in the Grant Agreement, i.e. that the client firms assisted by IESC/Kenya must have majority shareholding in the hands of private Kenyan citizens, as General Motors has 51 per cent local equity holding, which is owned by the Kenya Government. According to USAID/Kenya, during the negotiation of the VE assistance, it was understood that the beneficiaries would be the individual dealers, and not the General Motors (Kenya) Ltd. However, the VE spent most of his time at the GMK headquarters. Therefore, the violation of the eligibility criteria (under the USAID/Kenya Grant) occurred during the implementation phase, rather than in the signing of the Client Agreement. The client contribution to the VE assistance was paid by General Motors.

64. Out of the seven motor vehicle dealers under the GMK dealership VE project intervention, only two responded to the survey. The five dealers who did not respond to the survey claimed that they did not receive individualized VE assistance. The VE spent almost three months at the GM headquarters. Within the same period, he gave assistance for two hours to one respondent and one day to the second respondent, both on individualized basis. The subject area of assistance for the dealers and GM headquarters was inventory management.

65. The K-MAP and GMK dealership Group project interventions were not very effective due to the short time the VE spent with the individual Group clients. In the case of K-MAP, the VE did not have sufficient time to study the constraints facing each client. However, the K-MAP Group project intervention gave assistance to the intended beneficiaries, and the VE focussed on the individual needs of each firm. The GMK dealership benefitted the facilitator, i.e. General Motors, rather than the individual dealers.

66. However, the ordinary K-MAP client is smaller than the ordinary IESC client, although both institutions are based on the same principles, i.e. voluntary assistance to private firms using American retired executives (for IESC/Kenya) and local practicing middle-level managers (for K-MAP). Therefore, the IESC VE might not have sufficient exposure to the specific needs of small firms. In addition, since the K-MAP client had already been receiving business counselling from K-MAP, their opinions about the effectiveness of the VE project intervention would be slanted, as the respondents tended to compare the IESC VE assistance, provided within one or two days, with the K-MAP counselling assistance they had been receiving over relatively long periods of time.

67. One lesson from multiple cooperating (Group) clients is that, although the average cost per client is low, the impact of the assistance may also be low[14]. The low impact of assistance is attributable to the short time the VE spends with each individual client, which does not allow the VE to fully accustom himself (herself) to the specific needs of the client firm, especially because some of the intended beneficiaries did not request the VE assistance. Secondly, there is the additional risk of the assistance being re-directed to benefit the facilitator, rather than the intended beneficiaries. This risk

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[14]. Although there are no quantitative indicators to justify this statement, the comments made by Group clients indicate some degree of dissatisfaction with the VE assistance delivered to them. For example, in response to Question 37(a) (whether the firm is interested in trying to get more IESC VE assistance), one K-MAP Group client said that he was not interested in future VE assistance and that he would rather use local personnel, while another K-MAP client answered that "their recommendations do not match with his business needs because of its small size".

may be greater when the facilitator is a commercial enterprise. The experience of K-MAP and GMK Group VE interventions suggests that group assistance facilitated by private sector development institutions is more likely to reach the intended beneficiaries than Group assistance facilitated by commercial enterprises.

CLIENT OPINION OF VOLUNTEER EXECUTIVES

68. The clients' opinion of IESC Volunteer Executives can be measured by responses to questions 12 (VE's knowledge and skills in the area in which he/she was assisting the firm), 13 (VE's ability to explain things), 14 (relationship with firm's employees), 15 (VE's matching to company's needs), 24 (the extent to which the VE fulfilled expectations for his/her work that were stated in the IESC agreement), and 27 (the overall usefulness of the VE assistance). As can be seen from Table 12 below, the respondents ranked VEs' knowledge and skills as excellent (score of 7) in 38 VE interventions (49 per cent), while a total of 74 (96 per cent) VE project interventions received rankings between "OK" (score 4) and "excellent" (score 7). The distribution of scores for VE's ability to explain things (Question 13) and VE's relationship with firm's employees (Question 14) were fairly similar to that of VE's knowledge and skills.

Table 12: **RANKING OF VE'S KNOWLEDGE AND SKILLS**

Value	Frequency	Per cent
1	3	3.9
4	10	13.0
5	10	13.0
6	16	20.8
7	38	49.4
Project interventions	77	100.1
Mean score		5.91

Source: Responses to Question 12.

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Table 13: **RANKING OF VE's ABILITY TO EXPLAIN THINGS**

Value	Frequency	Per cent
1	1	1.3
4	11	13.8
5	11	13.8
6	16	20.0
7	41	51.3
Project Interventions	80	100.2
Mean score		6.04

Source: Responses to Question 13.

Table 14: **RANKING OF VE'S RELATIONSHIP WITH FIRM'S EMPLOYEES**

Value	Frequency	Per cent
4	7	9.3
5	2	2.7
6	18	24.0
7	48	64.0
Project Interventions	75	100.0
Mean score		6.43

Source: Responses to Question 14.

69. The distribution of responses on the extent to which the VE's skills were matched with firm's needs are discussed under the section on "institutional issues" since IESC is responsible for carrying out an efficient VE-client matching. Table 15 shows the distribution of scores on the extent to which the VE's fulfilled the expectations for his/her work that were stated in the IESC agreement. Thirty one VE project interventions (41 per cent) were ranked as having VEs who fulfilled the scope of work "fully" (score of 7), while VEs for a total of 69 project interventions (92 per cent) were ranked between 4 ("to a moderate extent") and 7("fully"). Six VE project interventions (8 per cent) were given the lowest score of 1, i.e. did not fulfil the scope of work at all.

70. Table 16 shows the ranking of overall usefulness of VE assistance to the firm, where 1 is "not all at useful", 7 is "extremely useful" and 4 is "OK". Twenty seven VE project interventions (36 per cent of responses) were ranked on the overall usefulness of VE assistance as "excellent", while a total of 70 VE project interventions (92 per cent) were ranked between "OK" (score 4) and "extremely useful" (score 7). However, six VE project interventions (8 per cent) received very low scores

on the overall usefulness of VE assistance provided to their firms.

Table 15: **EXTENT VE FULFILLED THE SCOPE OF WORK**

Value	Frequency	Percent
1	6	8.0
4	12	16.0
5	9	12.0
6	17	22.7
7	31	41.3
Project interventions	75	100.0
Mean score		5.57

Source: Responses to Question 24.

Table 16: **OVERALL USEFULNESS OF VE ASSISTANCE**

Value	Frequency	Per cent
1	4	5.3
2	1	1.3
3	1	1.3
4	17	22.4
5	12	15.8
6	14	18.4
7	27	35.5
Project interventions	76	100.0
Mean score		5.39

Source: Responses to Question 27.

71. Table 19 shows responses to Question 24(b) (client's explanation why the VE did not fully meet the expectations for his/her work). The explanations that directly relate to the VE, e.g. failure to discuss recommendations with counterparts and lack of enthusiasm in providing assistance, had only one VE project intervention (3.8 per cent) each. The explanations for the VE's failure to fulfil the scope of work seem to be in the realm of the efficiency in VE-client matching e.g. lack of knowledge about local business conditions (5 VE project interventions, 19 per cent of those VE project interventions that scored less than 7 on Question 24(a)), and VE's background unsuitable to firm's needs (10 VE project interventions, 39 per cent). Probably, the explanation that the VE's recommendations were unworkable/far-fetched (3 VE project interventions, 11.5 per cent) could also be related to suitability of VE to firm's needs. It appears that the VE-client matching could be improved if clients were to write down detailed project proposals about their

problem areas that they would like the VEs to assist in. The brevity of the IESC needs assessment reports might not adequately capture specific needs of prospective IESC clients.

INSTITUTIONAL ISSUES

72. The IESC/Kenya institutional issues are analyzed using responses to Questions 4 (how the firm first heard about IESC/Kenya), 15 (matching VE skills with company's needs), 11 (whether the firm received IESC assistance within a reasonable time after the agreement was signed with IESC), 26 (problems having to do with IESC VE assistance that were perceived by the firm), 29 (reasons why the firm used IESC VE services instead of other possible sources of assistance), 37 (whether the firm is interested in getting more IESC VE assistance) and 38 (whether the firm is aware of other services IESC provides besides those provided by VEs).

73. Table 17 shows how the respondents first heard about IESC/Kenya. The main sources of information about IESC services were identified as locally-based firms/NGOs/individuals and IESC direct marketing efforts. The "IESC direct marketing efforts" category includes those respondents who heard about IESC from USAID and American Embassy personnel, and as audience for speeches delivered by the IESC/Kenya Country Director. An indeterminate proportion of those who heard from newspapers could be taken as IESC direct marketing efforts, if the IESC/Kenya Country Director played a role in obtaining media coverage e.g. speeches to selected audiences.

Table 17: **SOURCES OF INFORMATION ON IESC**

Label	Frequency	Per cent
Newspapers	11	13.9
IESC direct marketing efforts	25	31.6
IESC client	8	10.1
Other locally based firms/NGOs/individuals	28	35.4
Overseas firm	2	2.5
Don't know	5	6.3
TOTAL	79	100.0

Note: The percentages are over the firms that responded.
Source: Responses to Question 4.

74. The matching of VE skills with firms' needs is crucial to the success of VE assistance. Table 18 uses responses to Question 15 to measure the extent to which VE's skills were matched to firms' needs as specified in the IESC agreement. It appears that IESC efforts in VE-client matching are fairly successful, given the high proportion of VE project interventions (92 per cent of responses) that had scores ranging from 4 ("OK")

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to 7 ("extremely well matched")[15]. In addition, all respondents except one, reported that they received VE assistance within a reasonable time after the agreement was signed with IESC. The single exception was a client who was informed by IESC/Kenya that the original VE had been assigned to another country.

Table 18: **VE SKILLS MATCHED FIRM'S SPECIFICATIONS**

Score	Frequency	Per cent
1	3	4.0
2	1	1.3
3	2	2.6
4	12	16.0
5	11	14.7
6	12	16.0
7	34	45.3
Project interventions	75	100.0
Mean score		5.69

Source: Responses to Question 15.

75. However, responses to Question 24(b) (explanation of why the VE did not fulfil expectations for his/her work) and 26 (any problems having to do with the IESC VE assistance perceived by the firm) appear to be problems that could have been minimized with improved VE-client matching (see Tables below). For example, out of 26 respondents, ten reported that the VE did not fulfil his/her scope of work because the VE's background was unsuitable to the firms' needs. Some respondents reported that the needs assessment report prepared by IESC to guide in identifying suitable VEs is too brief, and might not contain all the relevant details. In addition, if a client tries to alter the scope of work when an inappropriate VE is provided, there is resistance from both the VE and IESC/Kenya.

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15. This statement does not necessarily contradict findings in paragraph 71 above, mainly because Question 24(b) was answered by those respondents who gave a score of less than 7 to Question 24(a), while the success rate of 92 per cent in VE-client matching refers to responses to Question 15 for scores in the range of 4 to 7.

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Table 19: **WHY VE DID NOT FULLY MEET EXPECTATIONS**

Label	Frequency	Per cent
Lack of knowledge about local business conditions	5	19.2
Length of time too short	5	19.2
VE background unsuitable to firm's needs	10	38.5
VE recommendations unworkable/far-fetched	3	11.5
VE recommendations not discussed with counterparts	1	3.8
VE lacked enthusiasm/energy	1	3.8
Local counterpart fell ill	1	3.8
Total	26	99.8

Source: Responses to question 24(b).

Table 20: **PROBLEMS WITH VE ASSISTANCE**

Label	Frequency	Per cent
None	60	84.5
VE limited knowledge of . .bject area	4	5.6
Rigidity in application-Agreement	2	2.8
Inappropriate VE/VE advice	3	4.2
Delay in sending VE	1	1.4
Refused to work with low cadre staff	1	1.4
Total	71	99.9

Source: Responses to Question 26.

76. Out of 71 VE project interventions, 60 (84.5 per cent) reported that they did not perceive any problems having to do with the IESC VE assistance. However, the responses to Questions 24(b) and 26 are not directly comparable. Question 24(b) was supposed to be answered for all the VE project interventions where the VE did not fulfil the expectations for his/her work "to a very great extent" (score 7). Some respondents who ranked the extent the VE fulfilled the expectations for his/her work at less than score 7 on the scale did not perceive any problems with the VE assistance that were worth highlighting, hence the apparent inconsistency between responses to Questions 24(b) and 26.

77. Table 21 shows the responses to Question 29(a) (why the firm decided to use IESC VE assistance services instead of other possible sources of assistance). Out of 89 responses, 46 (51.7 per cent of responses) reported as having used IESC VE services due to IESC's reputation, followed by the relative price/cost of IESC VE services (17 responses, 19.1 per cent of responses) and IESC's efficiency (15 responses, 16.9 per cent). However, there

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are two major problems in interpreting the responses to Question 29(a). First, the reasons cited by the respondents are not mutually exclusive. For example, although about half of the responses cited "reputation" as the reason for using IESC VE services, it is possible for the reputation to relate to reliability, confidentiality, price/cost of IESC VE services, and efficiency. Second, it may be difficult for respondents to separate what they knew about IESC VE services at the time they decided to use the services from what they later learnt after receiving the VE assistance services. Out of 80 responses, 18 cases (22.5 per cent of the VE project interventions) had a "Yes" response to Question 29(b) (whether the kind of consultancy assistance provided by the VE was available within Kenya), 47 (58.8 per cent) had a "No" response, while 15 (18.8 per cent) had a "Don't know" response[16].

TABLE 21: WHY FIRM USED IESC SERVICES

Reason	Number of Responses	% of Responses
Non-response (Project interventions)	34	
Response (Project interventions)	70	
Reliability	6	6.7
Confidentially	4	4.5
Price/Cost of IESC VE services	17	19.1
Reputation	46	51.7
Efficiency	15	16.9
Decided elsewhere	1	1.1
Total responses	89	100.0

Note: Total number of responses exceed the number of VE project interventions since there could have been more than one reason why the firm decided to use IESC VE services. The number of VE project interventions was 70, while the responses to Question 29(a) were 89. "Decided elsewhere" refers to a K-MAP Group client where the decision to use IESC VE services was made by the K-MAP secretariat.

Source: Responses to Question 29(a).

78. Out of 66 respondents who gave definite responses on whether the firms are interested in more VE assistance, 42 (63.6 per cent) answered in the affirmative. The firms expressed interest in more VE assistance in the following areas: production (21 firms, 50 per cent of those interested in more IESC VE assistance), marketing (2 firms, 4.8 per cent), financial

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[16]. In retrospect, it is not clear whether Question 29(b) sought information on the availability of local consultancy services at the time the VE assistance was provided or when the Questionnaire was administered on the respondents.

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management (1 firm, 2.4 per cent), personnel management (1 firm, 2.4 per cent), business/strategic planning (3 firms, 7.1 per cent) and organizational management (1 firm, 2.4 per cent). From responses to Question 9 (problems the VE assisted the firm with), it appears that the type of VE consultancies provided by IESC in the past roughly corresponds with the structure of demand for future IESC VE services, with bigger emphasis in the area of "production". Out of the 20 respondents who answered Question 37 (c), (i.e. why the firm is not interested in trying to get more IESC VE assistance) the highest frequency was for those who cannot afford (6 cases), followed by firms which have not identified area for VE assistance (5). Seven respondents are either no longer interested in IESC services (2) and/or previous VE assistance provided was below firms' expectations (5). It appears that the respondents did not separate opinions on VE from their opinions about IESC/Kenya in general.

79. From the survey results, it appears that IESC/Kenya has not been very successful in marketing its other new services i.e. American Business Linkage Enterprise (ABLE) Projects - which provide in-depth information/research services to Kenyan private sector enterprises, and Joint Venture Service (JVS) Projects - which provide links between Kenyan and American companies in an effort to promote joint ventures. Out of the 76 firms which responded to Questions 38(a) and 38(b), only six respondents knew about ABLEs and only four knew about JVS, making a total of 10 respondents who were aware of any other services IESC provides other than those provided by Volunteer Executives. No respondent was aware of both ABLE and JVS services. Only one respondent had received ABLE services, while no respondent had received JVS services.

80. The relationship between interest in future VE assistance and performance indicators and degree of implementation of VE's recommendations was measured by dividing the respondents into two groups: those interested and those not interested in future VE assistance (Question 37(a)). The group of "not interested" includes both those who reported "no" and "do not know" on the question of whether they were interested in future VE assistance. A t-test was performed to test whether there was significant difference in means of growth in employment, real revenue and real assets, and firm's degree of implementation of VE's recommendations between the two groups. The results are presented in Table 22.

Table 22: **RELATIONSHIP BETWEEN INTEREST IN FUTURE VE ASSISTANCE AND PERFORMANCE INDICATORS**

	Number of firms	Per Cent of firms	Mean	Standard Deviation	T-Value	2-Tail Prob.	T-Critical
Annual Average Growth in Employment							
Interested	31	52.5	0.1085	0.419			
Not interested	28	47.5	0.0615	0.172	0.55	0.583	1.684
Annual Average Real Growth in Revenue							
Interested	22	51.2	0.1793	0.436			
Not interested	21	48.8	-0.0366	0.153	2.15	0.038	1.684
Annual Average Real growth in assets							
Interested	29	64.4	0.9299	3.256			
Not interested	16	35.6	0.3513	0.912	0.69	0.492	1.684
Degree of implementation of VE's recommendations							
Interested	38	60.3	4.6158	1.857			
Not interested	25	39.7	4.1080	2.171	0.88	0.385	1.684

Note: "Not interested" includes those who answered "no" and "do not know" to Question 37(a).

81. The t-test shows that there is no significant difference in means of annual average growth rates in employment, real assets, and degree of implementation of VE's recommendations, between the two groups, i.e. those "interested" and those "not interested" in future VE assistance. However, there is statistical evidence to suggest that the group of respondents who were interested in future VE assistance had a significantly higher annual average growth rate in real revenue (17.9 per cent growth rate) compared with those "not interested" (-3.7 per cent) in future VE assistance.

CHANGES IN QUANTITATIVE IMPACT INDICATORS BY PRIORITY AREAS

82. The Grant Agreement of 1987 and Grant Amendment dated March 1991 identifies the priority areas for IESC VE assistance as agribusiness, small or medium-sized, rural-based, women-owned, labor intensive or exporting firms. Since all the responding firms satisfied at least one of the priority areas, it will not be feasible to compare firms that met at least one of the priority areas with those that did not. The data will, however, allow for analysis of whether there is significant difference in annual average growth rates in quantitative impact indicators (employment, real revenue and real assets) between firms that met a particular priority area and those that did not.

83. **GROWTH IN EMPLOYMENT.** The difference in the means of growth in employment is measured at 10 per cent significance level. Using a critical value of t=1.684 corresponding to the double-sided (two-tail) 10 per cent significance level, the calculated t-values are all below the critical values as shown in Table 23 below. For all the categories created by dividing the respondents into those which have met a particular priority area and those that have not, we reject the alternative hypothesis that there is significant difference in the means in favor of the Null Hypothesis H_0: that $\mu_1 - \mu_2 = 0$. The low values of t means that the quantitative impact of VE assistance was not

significantly different between firms in each priority and non-priority area.

Table 23: ANNUAL AVERAGE GROWTH IN EMPLOYMENT: FIRMS BY PRIORITY AREAS

	Number of firms	Per Cent of firms	Mean	Standard Deviation	T-Value	2-Tail Prob.	T-Critical
Ownership by Gender							
Women-owned	19	34.5	0.0046	0.421			
No female-ownership	36	65.5	0.1286	0.276	-1.32	0.194	1.684
Size categories							
Small and Medium	48	81.4	0.1062	0.355			
Large	11	18.6	-0.0011	0.093	0.99	0.327	1.684
Sectoral priority							
Agribusiness	8	13.6	0.1750	0.435			
Other	51	86.4	0.0723	0.307	0.83	0.410	1.684
Rural Priority							
Rural	7	11.9	0.1673	0.288			
Urban	52	88.1	0.0753	0.330	-0.70	0.486	1.684
Exporting							
Exporting	13	27.1	0.0744	0.184			
Non-exporting	35	72.9	0.1000	0.407	-0.22	0.829	1.684

Note: :"Food, beverages and tobacco" sub-sector is included in agribusiness rather than the manufacturing sector.
:Growth rates are not in percentage terms.

84. **GROWTH IN REVENUE.** Similarly, for average annual growth rates in real revenues and using a critical value of t=1.684 corresponding to α=0.10, we reject the hypothesis that there is significant difference in the means of the two samples created by categories generated by the following priority areas: women-owned, small and medium-sized, agribusiness, rural-based and exporting. There is therefore not enough evidence that the two samples in each of the specified categories have significant differences in annual average growth of total real revenues.

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Table 24: **ANNUAL AVERAGE GROWTH IN REAL REVENUE: FIRMS BY PRIORITY AREAS**

	Number of firms	Per Cent of firms	Mean	Standard Deviation	T-Value	2-Tail Prob.	T-Critical
Ownership by Gender							
Women-owned	15	38.5	0.0797	0.396			
No female-ownership	24	61.5	0.0119	0.143	0.77	0.448	1.684
Size categories							
Small and Medium	33	76.7	0.0860	0.391			
Large	10	23.3	0.0337	0.070	0.42	0.679	1.684
Sectoral priority							
Agribusiness	7	16.3	-0.0147	0.180			
Other	36	83.7	0.0910	0.367	-0.74	0.463	1.684
Rural Priority							
Rural	4	9.3	0.0386	0.025			
Urban	39	90.7	0.0774	0.361	0.21	0.832	1.684
Exporting							
Exporting	11	25.6	0.0494	0.079			
Non-exporting	32	74.4	0.0822	0.397	-0.27	0.789	1.684

Note: "Food, beverages and tobacco" sub-sector is included in agribusiness rather than the manufacturing sector.

Growth rates are not in percentage terms.

85. Responses to Question 33(a) (whether the firm has increased volume of total production and/or services since the first VE project intervention) shows that, out of 68 respondents, there was increase in volume of production and/or services for 49 firms (72.1 per cent). Out of the 49 who reported having increased the volume of production and/or services, 36 (52.9 per cent of the 68 who responded to Question 33(a)) associated the increase in volume of production with VE assistance (Question 33(b)). Since increase in volume of production is expected to translate to growth in real revenue, responses to Question 33(a) were cross-tabulated with annual growth in real revenue, by dividing the firms between those that recorded positive and those that recorded negative growth rates in real revenue. The rationale for the cross-tabulation was that, those who answered "Yes" to Question 33(a) would also be expected to record positive growth rates in real revenue, while those who answered "No" would be expected to record negative growth rates in real revenue. Table 25 shows that there was statistically significant difference in the means of the growth rates in real revenue between those who answered "Yes" and those who answered "No" to Question 33(a). This shows that the quality of data on total revenue at baseline and for the most recent period was generally indicative of the true direction of change in total revenue. However, this is not necessarily true for the absolute values of total revenue since respondents could under-report total revenue for both baseline and for most recent period by roughly equal proportions.

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Table 25: ANNUAL AVERAGE GROWTH IN REAL REVENUE

	Positive		Negative		Total	
	Firms	Mean Growth Rate	Firms	Mean Growth rate	Firms	Mean Growth rate
Production increased?						
Yes	21	0.250	11	-0.092	32	0.1323
No	5	0.040	5	-0.252	10	-0.1061

T-statistic between the two groups = 1.95, and a corresponding 2-tail probability of 5.8 per cent.

86. **GROWTH IN ASSETS.** The same t-test of significance was used to test differences in means of annual average growth in real assets using samples created by dividing the respondents into those which have met a specified priority area and those that have not. At the same level of significance (α=0.10) and using a double-sided (two-tailed) test, we find that there is not enough statistical evidence to show that there is significant difference between the means created by splitting the respondents into two categories, i.e. those that have met a specified priority area and those that have not.

Table 26: ANNUAL AVERAGE GROWTH IN REAL ASSETS: FIRMS BY PRIORITY AREAS

	Number of firms	Per Cent of firms	Mean	Standard Deviation	T-Value	2-Tail Prob.	T-Critical
Ownership by Gender							
Women-owned	15	35.7	0.5298	0.965			
No female-ownership	27	64.3	0.2597	0.636	1.09	0.281	1.684
Size categories							
Small and Medium	34	79.1	0.9310	3.046			
Large	9	20.9	0.0537	0.229	0.86	0.397	1.684
Sectoral priority							
Agribusiness	8	17.8	0.0749	0.219			
Other	37	82.2	0.8645	2.926	-0.76	0.454	1.684
Rural Priority							
Rural	3	6.7	0.4419	0.725			
Urban	42	93.3	0.7443	2.756	0.19	0.852	1.684
Exporting							
Exporting	11	24.4	0.3409	0.849			
Non-exporting	34	75.6	0.8482	3.032	-0.54	0.589	1.684

Note: "Food, beverages and tobacco" sub-sector is included in agribusiness rather than the manufacturing sector.

Growth rates are not in percentage terms.

87. Responses to Question 34(a) (whether firm's investment has increased since the first VE project intervention) shows that, out of 68 respondents, there was increase in investment in 39 firms (57.4 per cent of respondents). Out of the 39 who reported having increased investment, 24 (35.3 per cent of those who responded to Question 34(a)), associated the increase in investment with VE assistance (Question 34(b)). A cross-tabulation of responses to Question 34(a) and actual growth in real assets is presented in Table 27. The firms which reported increase in investment (Question 34(a)) would also be expected

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to report actual positive growth in real assets. The mean growth rate in assets for those who answered "Yes" was higher than for those who answered "No" to question 34(a). However, although the t-statistic shows that there is no statistically significant difference in annual average growth rates in real assets between those who answered "Yes" and those answered "No" to Question 34(a), the simple annual average growth in real assets for those who answered "Yes" was 3.6 times that of those who answered "No". This may be explained by the fact that the Questionnaire did not specify whether assets data (Questions 31(d) and 32(d)) were to be provided based on historical-cost accounting or current market value. The deflation of reported asset levels for the purpose of computing annual growth rates in real assets is only justified if the reported assets data was in nominal terms.

Table 27: ANNUAL AVERAGE GROWTH IN REAL ASSETS

	Positive		Negative		Total	
	Firms	Mean Growth Rate	Firms	Mean Growth rate	Firms	Mean Growth rate
Investment increased?						
Yes	19	1.604	13	-0.087	32	0.9170
No	7	0.560	5	-0.177	12	0.2528

T-statistic between the two groups = 0.72, and a corresponding 2-tail probability of 47.3 per cent.

88. This section was intended to present results on whether the performance of firm . that met a particular priority area is significantly different from those that did not, i.e. by testing the significance of the difference in the means of the annual average growth rates in, say, employment, between the two groups e.g. rural- and urban-based firms. From the survey data, we conclude that there is no statistically significant difference in annual average growth rates of impact indicators between the two groups created by dividing the responding firms between those that have met a particular priority area and those that have not.

TRANSFER OF TECHNOLOGY AND SKILLS

89. The survey results show that firms acquired new technology as a result of VE assistance, which has helped the clients to improve their production and organizational capabilities. Responses to Question 19(a) (the types of technology, if any, the firm acquired as a result of VE assistance) show that, out of 62 VE project interventions, 5 (8.1 per cent) led to acquisition of new plant/equipment/other tangible things, 44 (71.0 per cent) led to acquisition of new information/processes/practices, while 13 (21.0 per cent) led to acquisition of both new plant/equipment/other tangible things and new information/processes/practices.

90. Responses to Question 19(b) give the different mechanisms used by the firms to acquire new technology. The mechanisms of

acquisition of technology involve either purchase of new technology, new production-under-license agreements, joint ventures, and direct acquisition of technology from the VEs. Table 28 shows that the predominant medium of acquisition of technology is direct acquisition of technology from the VEs (50 responses, 74.6 per cent), followed by purchase of new technology (14 responses, 20.9 per cent). There was only one response (1.5 per cent) in each of the following categories: production-under-license agreements and joint ventures. As shown in the next section, the limited acquisition of technology through purchase of new equipment could be partly attributed to the firms' limited financial capabilities to implement the VE's recommendations.

Table 28: **MECHANISMS USED TO ACQUIRE NEW TECHNOLOGY**

Label	Frequency	Per cent
Purchased new technology	14	20.9
Production-under-license agreements	1	1.5
Marketing-under-license agreements	0	0.0
Joint venture	1	1.5
Acquired technology directly from VE	50	74.6
Other (specify)	1	1.5
Total (responses)	67	100.0
Total (firms)	59	

Source: Response to Question 19(b). Note that a respondent could give more than one option to Question 19(b).

Table 29: **WHY NO NEW SKILLS WERE GAINED**

Value Label	Frequency	Per cent
VE consultancy was a feasibility study	4	33.3
VE's ideas too advanced/unsuitable to firm	2	16.7
No new remedies suggested by VE	2	16.7
VE only enhanced utilization of existing skills	1	8.3
Non-response	3	25.0
Total	12	100.0

Source: Responses to Question 20(b).

91. The responses to Question 20(a) (skills gained) shows that 67 respondents (84.8 per cent) out of 79 reported that staff gained new skills. Table 29, which is based on responses to Question 20(b), shows the reasons why the remaining 12 reported as not having gained new skills. The first category ("VE consultancy was a feasibility study") implies that the VE project intervention was not designed to transfer new technology and skills, but was a study on the viability of a proposed business venture. For this reason, the VE consultancies that could conceivably lead to acquisition of new skills but which did not were only 8 (10 per cent of all respondents).

Table 30: **% OF THOSE GAINED SKILLS STILL WORKING FOR THE FIRM**

Value (%)	Frequency	Per cent
24	1	1.4
33	1	1.4
34	1	1.4
38	1	1.4
50	4	5.6
66	1	1.4
75	2	2.8
90	3	4.2
99	1	1.4
100	56	78.9
Project interventions	71	99.9

Summary statistics:
Mean = 91.7, Median = 100.0, Minimum = 24.0, Maximum = 100.0

Source: Responses to Question 20(d).

Table 31: **COUNTERPARTS WHO LEFT FIRM: RETENTION OF SKILLS/KNOWLEDGE**

Value	Frequency	Per cent
1	1	5.9
3	2	11.8
4	4	23.5
5	3	17.6
6	2	11.8
7	5	29.4
TOTAL	17	100.0
Mean score		5.0

Source: Responses to Question 20(e).

92. Table 30 presents responses to Question 20(d) (percentage of staff members who gained new skills from the VEs and were still working for the firm). Table 30 shows that the percentage of staff who gained skills from the VE and were still working for the firm was high, with a mean of 91.7 per cent. Out of the seventeen respondents to Question 24(e) (firm's retention of skills/knowledge of the staff members who have left), the retention of skills/knowledge was also high, with 14 VE project interventions (82.3 per cent) receiving scores of between 4 ("to a moderate extent") and 7 ("to a very great extent"). The survey data did not, however, permit computation of firm's overall retention of skills/knowledge, regardless of whether any staff members who gained skills from the VEs had left the firm or not. This is mainly because, we do not know the extent to which the staff members who worked with the VE, and were still working for the firm, had retained the skills/knowledge that were gained from the VE.

IMPLEMENTATION OF RECOMMENDATIONS

93. To measure the degree of implementation of VE's recommendations, the scores of 1 to 7 on question 22(d) (rank of the extent to which each recommendation has been implemented or carried out by the firm), where 1 is "not at all", 7 is "fully" and 4 is "to a moderate extent" are assumed to be numerical variables. The scores over all the recommendations are averaged to obtain the degree of implementation for each VE project intervention. The degree of implementation of recommendations for a firm that had received more than one VE project intervention was obtained as the average of the two VE project interventions. A t-test was conducted between the firms' average score on the degree of implementation and the two categories generated by dividing the respondents between those who have met a particular priority area and those that have not. This was to test whether there is significant difference in the degree of implementation of VE's recommendations between firms that met a

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particular priority area in the Grant Agreement and those that did not.

94. Table 32 shows that there is no evidence that the two groups generated by each priority area have statistically significant differences in their degree of implementation of recommendations. We can therefore conclude that the two groups generated by each priority area do not have significantly different degrees of implementation of VE's recommendations.

IMPLEMENTATION OF RECOMMENDATIONS: FIRMS BY PRIORITY AREAS

	Number of firms	Per Cent of firms	Mean	Standard Deviation	T-Value	2-Tail Prob.	T-Critical
Ownership by Gender							
Women-owned	19	32.8	4.2158	2.315			
No female-ownership	39	67.2	4.5769	1.853	-0.64	0.524	1.684
Size categories							
Small and Medium	43	81.1	4.7326	1.741			
Large	10	18.9	4.2300	2.235	0.78	0.440	1.684
Sectoral priority							
Agribusiness	12	18.8	3.7000	2.409			
Other	52	81.2	4.5423	1.903	-1.31	0.194	1.684
Rural Priority							
Rural	9	14.1	4.6667	1.710			
Urban	55	85.9	4.3382	2.069	-0.45	0.654	1.684
Exporting							
Exporting	13	30.2	4.8769	2.045			
Non-exporting	30	69.8	4.6633	1.817	0.34	0.735	1.684

Note: "Food, beverages and tobacco" sub-sector is included in agribusiness rather than the manufacturing sector.

95. However, there are doubts about the legitimacy of using ordinal-level measurement (i.e. the scaling methods) as numerical variables rather than groupings in the measurement of differences between sample means[17]. Each category, e.g. "to a moderate extent", on the ordinal scale has a unique position, i.e. it is higher than "not at all" (score 1) and lower than "fully" (score 7). All we know is that it is lower or higher than other categories on the scale (unless it lies on either extreme), but we do not know the distance between them. According to Nie et al, "the characteristic of ordering is the sole mathematical property of this [ordinal] level, and the use of numeric values as symbols for category names does not imply that any other properties of the real number system can be used to summarize relationships of an ordinal-level variable"[18].

96. As explained above, the degree of implementation of the VE's recommendations were averaged to obtain the mean level per VE project intervention, then to per firm. Since the derived

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17. See the section entitled Statistical Addendum below.

18. See Nie, et al (1975), Statistical Package for the Social Sciences, Second edition, McGraw-Hill Inc., p. 5

averages were not necessarily integers, the data was truncated to the nearest whole numbers. The data on average degree of implementation of VE's recommendations were truncated to whole numbers for ease of ranking, i.e. to make it easier to present the results on a ranking scale of 1 to 7 (as in the original question). As shown in Table 33, the average degree of implementation of VE's recommendations by 45 out of 64 firms (70.3 per cent) had scores between 4 ("to a moderate extent") and 7 ("fully"). It is important to note that the rankings on the opinion about the VEs were more positive than the rankings of the degree of implementation of recommendations. This may be attributed to limitations in firms' capabilities to implement the VE's recommendations.

Table 33: **EXTENT OF IMPLEMENTATION OF VE'S RECOMMENDATIONS**

Value	Frequency	Percent
1	12	18.8
3	7	10.9
4	11	17.2
5	10	15.6
6	14	21.9
7	10	15.6
Firms	64	100.0
Mean score		4.39

Source: Responses to Question 20(d).

97. Table 34 below ranks the extent to which any changes that were introduced as a result of the VE's recommendations have been maintained by the firms (Question 22(e)). The transformation of data over all the recommendations is as in the previous paragraph. The distribution of respondents over the scores is roughly similar to that of the degree of implementation of VE's recommendations.

Table 34: **EXTENT VE'S RECOMMENDATIONS HAVE BEEN MAINTAINED**

Value	Frequency	Percent
1	12	20.0
2	2	3.3
3	4	6.7
4	9	15.0
5	10	16.7
6	11	18.3
7	12	20.0
Firms	60	100.0
Mean score		4.40

Source: Responses to question 20(e).

98. The truncated statistics on the extent of implementation of VE's recommendations (Table 33) are classified into (a) the firms that at least partially implemented (average scores of 2 to 7) and (b) fully implemented (score 7) the VE's recommendations. Similarly, the truncated statistics of the extent to which firms have maintained VE's recommendations (Table 34) are classified into (a) the proportion of firms that have maintained recommendations to some extent (average scores of 2 to 7) and (b) firms that have fully maintained the VE's recommendations (score 7). The results show that the proportion of responding firms that at least partially implemented the VE's recommendations were 81.2 per cent, while those that fully implemented were 15.6 per cent. Similarly, the proportion of firms that have maintained the VE's recommendations to some extent were 80.0 per cent, while those that have fully maintained the recommendations were 20.0 per cent.

99. As can be seen from Table 35, the constraints to implementation of VE's recommendations[19] can be separated into three categories:

(a) Firm's limitations in capital and personnel: 40 responses;

(b) Issues related to VEs, i.e. suitability of VE's recommendations and inadequacy of VE's guidelines on the implementation program: 12 responses; and

(c) The economy-wide constraints e.g. foreign exchange shortages and declining demand due to general economic conditions: 20 responses.

Although issues related to VEs partly explain why the VE's recommendations were not fully implemented, the predominant constraints to implementation are beyond the control of the VE, i.e. the firm-level specifics (40.4 per cent of responses) and the economy-wide constraints (20.2 per cent). Implementation was in progress for 26 responses (26.3 per cent).

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[19]. The responses exceed the number of VE project interventions since the question was asked for each recommendation that got a score of less than 7 (implemented recommendations "to a very great extent") in Question 22(d).

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Table 35: **WHY RECOMMENDATIONS NOT IMPLEMENTED**

	Frequency	Per cent
Implementation in progress	26	26.3
Limitations in firm's capabilities: capital	31	31.3
Limitations in firm's capabilities: personnel	9	9.1
Project abandoned	1	1.0
VE's recommendations unsuitable to firm	5	5.1
VE's guidelines inadequate	7	7.1
Foreign exchange constraint	11	11.1
General economic conditions	9	9.1
Total	99	100.1

Source: Responses to Question 24(e).

CHANGES IN IMPACT INDICATORS BY SECTOR AND FIRM-SIZE

100. The purpose of this section is to test whether there is statistically significant difference in the means of performance indicators (annual average growth rates in employment, real revenue and real assets), and degree of implementation of VE's recommendations between sectors defined by broad economic category. Similar analysis was carried out using four way classification based on size of firms. The four-way sectoral classification by broad economic category differs from the classification used in the rest of this report, where "food, beverages and tobacco" sub-sector was combined with agriculture to form the agribusiness sector. In this section, "food, beverages and tobacco" sub-sector is classified under manufacturing, and agriculture only covers "farm, plantation, ranch", "horticulture" and "fishing" (see Annex VIII: Data Dictionary for IESC Survey).

101. The measure of size used to classify size of firms surveyed was the level of employment at baseline period, i.e. when the firm first received IESC VE assistance under the USAID/Kenya Grant. The firms are separated into four categories, by size: micro-enterprises (those that employ 1 - 10 persons), small enterprises (11 - 50 employees), medium enterprises (51 - 100 employees), and large enterprises (over 100 employees). As in the previous sections, the composite degree of implementation of VE's recommendations was derived by averaging the scores over all the recommendations to obtain the degree of implementation for each VE project intervention. The firm's degree of implementation was obtained as the average over all the VE project interventions the firm had received.

102. In the case of sectoral classification, we wanted to test whether there is significant difference in the sample means by the use of the F-test. The Null Hypothesis (H_0) is that there is

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no difference in the sample means (μ) between the four sample categories. We write the Null hypothesis:

H_0: $\mu_{agriculture} = \mu_{manufacturing} = \mu_{services} = \mu_{trade}$

The test is conducted at 0.95 confidence interval. The observed significance level was obtained by comparing the calculated F-statistic to values of the F-distribution with k-1 and N-k degrees of freedom, where k is the number of groups and N is the number of valid cases in the whole sample. A significant F-statistic indicates only that the sample means are probably unequal, but does not pinpoint where the differences are. There are various statistical techniques used to test which means are significantly different from each other. However, this second phase of the multiple classification analysis was not necessary as the calculated F-statistics led to acceptance of the hypothesis that the differences in the sample means are not significantly different.

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Table 36: PERFORMANCE INDICATORS BY BROAD ECONOMIC CATEGORY

	Number of firms	Per Cent of firms	Mean	Standard Deviation	95% Confid. interval for the mean		
Annual Average Growth in Employment							
Agriculture	4	6.8	-0.0291	0.1825	-0.3194	to	0.2612
Manufacturing	25	42.4	0.1093	0.2996	-0.0144	to	0.2329
Services	18	30.5	0.1673	0.2749	0.0306	to	0.3040
Trade	12	20.3	-0.0450	0.4448	-0.3276	to	0.2377
Total	59	100.0	0.0862	0.3245	0.0017	to	0.1708
F-Ratio	=	1.2551					
F-Probability	=	0.2988					
Annual Average Growth in Real Revenue							
Agriculture	4	9.3	-0.0285	0.2493	-0.4252	to	0.3683
Manufacturing	17	39.5	0.0037	0.1431	-0.0699	to	0.0772
Services	17	39.5	0.1868	0.5010	-0.0708	to	0.4444
Trade	5	11.6	0.0101	0.1335	-0.1557	to	0.1759
Total	43	99.9	0.0738	0.3438	-0.0320	to	0.1796
F-Ratio	=	1.0253					
F-Probability	=	0.3919					
Annual Average Growth in Real Assets							
Agriculture	3	6.7	0.1110	0.1258	-0.2015	to	0.4236
Manufacturing	20	44.4	0.1125	0.3524	-0.0524	to	0.2774
Services	17	37.8	1.5677	4.2053	-0.5945	to	3.7298
Trade	5	11.1	0.6709	1.2919	-0.9332	to	2.2750
Total	45	100.0	0.7242	2.6660	-0.0768	to	1.5251
F-Ratio	=	0.9697					
F-Probability	=	0.4162					
Implementation of VE's Recommendations							
Agriculture	7	10.9	3.4714	2.7121	0.9631	to	5.9797
Manufacturing	30	46.9	4.5100	2.1964	3.6898	to	5.3302
Services	17	26.6	4.7412	1.6325	3.9018	to	5.5805
Trade	10	15.6	4.0400	1.4554	2.9989	to	5.0811
Total	64	100.0	4.3844	2.0135	3.8814	to	4.8873
F-Ratio	=	0.7860					
F-Probability	=	0.5064					

Table 37: PERFORMANCE INDICATORS BY SIZE OF FIRM

	Number of firms	Per Cent of firms	Mean	Standard Deviation	95% Confid. interval for the mean		
Annual Average Growth in Employment							
Micro-enterprises	8	13.6	0.1500	0.3695	-0.1589	to	0.4589
Small	25	42.4	0.0998	0.4055	-0.0676	to	0.2672
Medium	15	25.4	0.0936	0.2667	-0.0541	to	0.2413
Large	11	18.6	-0.0011	0.0928	-0.0635	to	0.0612
Total	59	100.0	0.0862	0.3245	0.0017	to	0.1708
F-Ratio	=	0.3735					
F-Probability	=	0.7724					
Annual Average Growth in Real Revenue							
Micro-enterprises	5	11.6	0.1712	0.6323	-0.6139	to	0.9563
Small	17	39.5	0.1213	0.4207	-0.0950	to	0.3376
Medium	11	25.6	-0.0073	0.1771	-0.1263	to	0.1117
Large	10	23.3	0.0337	0.0703	-0.0166	to	0.0840
Total	43	100.0	0.0738	0.3438	-0.0320	to	0.1796
F-Ratio	=	0.4727					
F-Probability	=	0.7031					
Annual Average Growth in Real Assets							
Micro-enterprises	4	9.3	0.8030	1.3806	-1.3938	to	2.9999
Small	17	39.5	1.2769	4.2691	-0.9181	to	3.4718
Medium	13	30.2	0.5181	0.6137	0.1472	to	0.8890
Large	9	20.9	0.0537	0.2293	-0.1226	to	0.2300
Total	43	99.9	0.7474	2.7258	-0.0915	to	1.5863
F-Ratio	=	0.4212					
F-Probability	=	0.7388					
Implementation of VE's Recommendations							
Micro-enterprises	7	13.2	3.7143	2.0659	1.8036	to	5.6249
Small	23	43.4	4.7478	1.6670	4.0270	to	5.4687
Medium	13	24.5	5.2538	1.5762	4.3014	to	6.2063
Large	10	18.9	4.2300	2.2351	2.6311	to	5.8289
Total	53	100.0	4.6377	1.8312	4.1330	to	5.1425
F-Ratio	=	1.2990					
F-Probability	=	0.2854					

103. From the calculated F-values in Table 36, we reject the hypothesis that there is statistically significant differences between the sectors in the means of annual growth rates in employment, real revenue and real assets, and the degree of implementation of VE's recommendations. Similarly, from the calculated F-values in Table 37, we reject the hypothesis that there is statistically significant differences between the four firm size categories in the means of annual growth rates in employment, real revenue and real assets, and the degree of implementation of VE's recommendations.

FEES PAID BY IESC CLIENTS

104. The actual client fees paid per month for each VE project intervention were converted to reference year 1991 using Nairobi Lower Income Consumer Price Index. For a firm that got more than

one VE project intervention, an average of the client fees paid per month (re-based to reference year 1991) was obtained over all the VE project interventions that the firm had received. The proportion of client contribution to total cost of IESC VE services was obtained by dividing the average client fees paid per month with the actual average cost of IESC VE services given in Question 35(b) of the questionnaire, i.e. KShs 394,000 per month in 1991.

105. Table 38 shows the client fees as proportion of total cost of IESC VE services, arranged by decile. About 58 per cent of the responding firms paid 20 per cent or less of the total cost of VE services, 83.2 per cent paid 30 per cent or less, only 4 clients (5.6 per cent) paid more than 50 per cent, and no client exceeded 71 per cent. The data used to generate Table 38 include GMK headquarters but do not include motor vehicle dealers under the GMK Group project intervention and the K-MAP Group clients.

Table 38: **CLIENT FEE AS PER CENT OF COST OF VE SERVICES**

Value (%)	Frequency	Per cent
1 - 10	16	22.7
11- 20	25	35.2
21- 30	18	25.3
31- 40	3	4.2
41- 50	3	4.2
51- 60	2	2.8
61- 71	2	2.8
Total	69	100.0

Source: Responses to Question 35(a).

106. One of the issues to be resolved by the survey data is whether the proportion of fees paid is correlated with the firm's performance (as measured by the growth in impact indicators) and the degree of implementation of VE's recommendations. This is done by computing a Pearson's correlation coefficient (r) between the proportion of client fees as proportion of total cost of IESC VE assistance with each of the following variables separately: composite degree of implementation of VE's recommendations, annual average growth in employment, annual average growth in real total revenue, and annual average growth in real assets. The composite degree of implementation of VE's recommendations was obtained by first averaging scores on Question 22(d) (extent to which recommendations had been implemented by the firm) to obtain the average for each VE project intervention, and the average over all the VE project interventions that the client had received was taken as the firm's mean. The computations included GMK headquarters but excluded the Group clients since they did not pay for the VE assistance. The results are presented in Table 39 below.

Table 39: CORRELATION BETWEEN PROPORTION OF CLIENT FEES PAID AND IMPACT INDICATORS (Without Group Clients)

	Cases	Correlation Coefficient
Degree of Implementation	58	0.0348
Growth in total employment	52	0.0022
Real growth in Revenue	41	0.0179
Real growth in assets	43	-0.1795

107. Since the motor vehicle dealers under the GMK Group VE intervention and the K-MAP Group clients were not requested to pay for the VE assistance, the relevant measure of correlation between proportion of fees paid by client and changes in impact indicators are the cases without the Group clients. There was a positive but weak correlation between the proportion of fees paid and the degree of implementation of VE's recommendations, growth in employment and real growth in revenue. However, there was a negative but weak correlation between the proportion of fees paid and real growth in assets. The low values of the correlation coefficients suggest that there is little or no relationship between the proportion of fees paid by client to the performance of the client firms as measured by degree of implementation and changes in quantitative impact indicators.

108. A perusal of responses to Question 35(b) (the percentage of the average total cost of VE assistance that the firm would be willing to pay for possible future IESC VE assistance) shows that there was ambiguity in the way the question was worded. The question was supposed to measure <u>willingness</u> and not <u>ability</u> to pay for possible future IESC VE assistance. Since the responses to the question combine notions of both willingness and ability to pay, the analysis of the responses has not been presented in this report.

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LENGTH OF VE PROJECT INTERVENTIONS

109. Table 40 shows the duration of the VE's assistance provided to the client firms. The duration of the VE's stay was first determined in person-days and then converted to weeks. As can be seen from Table 40, 10 (13.2 per cent of the VE consultancies) had durations of less than 4 weeks, 36 (47.0 per cent) had durations of 4 to 8 weeks, 21 (27.6 per cent) had durations of 8 to 12 weeks, while nine consultancies (11.8 per cent) exceeded three months.

Table 40: **VE'S STAY WITH THE CLIENT FIRMS**

Value (days)	Weeks	Frequency	Per cent
11 - 30	Up to 4	10	13.2
31 - 45	4.1 to 6	12	15.8
46 - 60	6.1 to 8	24	31.2
61 - 75	8.1 to 10	12	15.8
76 - 90	10.1 to 12	9	11.8
91 -105	12.1 to 14	6	7.9
106-120	14.1 to 16	2	2.6
121-135	16.1 to 18	0	0.0
136-150	18.1 to 20	0	0.0
151-165	20.1 to 22	0	0.0
166-180	22.1 to 24	1	1.3
Total		76	99.6

Source: Responses to Questions 7 and 8.

110. The length of VE assistance was obtained in person-days as the difference between responses to Questions 8 (when VE assistance ended) and 7 (when VE assistance started). To measure the impact of length of VE assistance on growth in impact indicators (employment, real revenue and real assets) and degree of implementation of VE's recommendations, regression analysis was done using duration in person-days as the independent variable. Due to the low response on repeat project interventions (with response on one repeat VE project intervention each for five firms), the duration of the second VE project intervention has not been used in the regression analysis. The growth rates in employment, real revenues and real assets are not in percentage terms. The results are as follows:

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Implementation	= 4.526 – 0.0025 * (Duration in person-days)
R^2	= 0.00138
Number of observations	= 64

Growth in employment	= 0.0230 + 0.00106 * (Duration in person-days)
R^2	= 0.01121
Number of observations	= 62

Growth in real revenue	= 0.05613 + 0.00029 * (Duration in person-days)
R^2	= 0.00054
Number of observations	= 43

Growth in real assets	= -0.05441 + 0.01243*(Duration in person-days)
R^2	= 0.01609
Number of observations	= 45

111. The low values of R^2 (coefficient of determination)[20] shows that the duration of VE assistance explains only a negligible percentage of changes in impact indicators (employment, real revenue and real assets). However, the growth in employment, real revenue and real assets have positive relationships with duration of VE assistance.

112. It is, however, difficult to explain the negative, though weak, relationship between the duration and the degree of implementation of VE's recommendations. The survey data did not therefore provide answers on the optimal length of VE assistance. This implies that the degree of implementation of VE's recommendations may be highly correlated with the firm's capabilities and other firm-level specifics, to the extent that the firm-level specifics obscures the impact of the variability in duration of VE assistance.

113. A correlation analysis was run on the duration in person-days of VE's stay with the firm against each of the following factors: the extent to which the VE fulfilled expectations for his/her work that were stated in the IESC agreement (Question 24(a)), rank of the opinion on the length of time of the VE assistance provided (Question 25), and the overall usefulness of VE assistance to the firm (Question 27). The results are presented in Table 41.

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20. R^2 is the proportion of the variation in the dependent variable explained by the regression model. For example, the variation in duration of VE assistance explains 0.138 per cent of the change in the degree of implementation of VE's recommendations.

Table 41: **CORRELATION BETWEEN DURATION AND OTHER FACTORS**

	Cases	Coeff.
VE fulfillment of expectations	63	0.2376
Opinion on duration of assistance	66	-0.0480
Overall usefulness	66	0.2030

114. The results show that there was weak, though positive, correlation between duration of VE's stay with the firm and (a) VE fulfillment of expectations in the scope of work, and (b) client opinion of overall usefulness of VE assistance to the firm. It is, however, surprising that the survey data showed that there was no correlation between duration of VE assistance and client's opinion on the duration of assistance. There is one possible explanation. Since a client applies to IESC for duration of VE assistance that is commensurate with the magnitude of the problems the VE is supposed to assist in, there may be low or no relationship at the aggregate level between duration and client's opinion on duration of VE's stay with the firm.

EXOGENOUS FACTORS THAT HAVE AFFECTED IESC CLIENTS[21]

115. The prevailing economic conditions, characterized by declining growth in Gross Domestic Product (GDP) and fixed investment, have affected firms assisted by IESC. For example, during 1991, the real GDP growth was 2.2 per cent, the lowest rate of growth since the drought year of 1984; while gross fixed investment declined by 2.9 per cent[22]. The firms assisted by IESC VEs reported that they have been negatively affected by economy-wide constraints, mainly shortage of foreign exchange (25.8 per cent of responses), general economic conditions (14.4 per cent), and access/cost of finance (8.2 per cent). The regulatory and licensing requirements have also affected an appreciable number of firms (9.3 per cent of responses). Some other firms cited political uncertainty and official corruption as other negative factors that have negatively impacted on their performance. These economy-wide factors exogenous to the firms may have negatively affected the growth in quantitative impact indicators (growth in employment, assets, revenue). The high taxation was mainly in respect of the incidence of the newly-introduced Value Added Tax.

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[21]. For recent studies on the use of firm-level surveys to measure the constraints to private sector development in Kenya, see Schankerman and Stone (1992) and Stone (1992).

[22]. See Economic Survey 1992, Central Bureau of Statistics, Ministry of Planning and National Development, Nairobi, Chapter 2.

Table 42: EXOGENOUS FACTORS AFFECTING IESC CLIENTS

	Number of Responses	% of Responses
FIRMS		
Non-response	37	
Not affected	19	
Affected	45	
EXOGENOUS FACTORS		
Regulatory constraints/licensing	9	11.5
Access and cost of finance	8	10.3
Access and cost of foreign exchange	25	32.1
Political stability	8	10.3
Corruption	2	2.6
Inflation	7	9.0
High taxation	5	6.4
General economic conditions	14	17.9
Total responses (excluding non-response and firms not affected)	78	100.1

Note: Total number of responses exceed respondents since some respondents reported as having been negatively affected by more than one exogenous factor. The number of responding firms was 45, while the responses to Question 41(b) were 78 (excluding those "not affected" by any factors in the Kenyan economy and regulatory environment).

Source: Responses to Questions 41(a) and 41(b).

STATISTICAL SIGNIFICANCE OF THE RESULTS

116. There were three major types of data collected during the survey: dichotomous variables (e.g. "Yes" or "No" questions), ordinal rankings (e.g. the scales of 1 to 7), and interval-level variables e.g. employment, revenue and assets. Assuming a 95 per cent confidence interval, the statistical significance of dichotomous variables can be determined by the formula:

$$n = N/(1+Ne^2)$$

where n is the number of firms which responded to the dichotomous question, N is the total target population, and e is the error in estimating the proportions. N (= 92) is the total client population which was supposed to be covered by the survey <u>less</u> businesses under receivership, VE consultancies for businesses which had not yet started by the time of the survey, and those out of scope. For an error of 10 per cent in estimating the proportion, n is derived to be 48, i.e. the dichotomous variables with at least 48 responses have an error of a maximum of 10 per cent in estimating the proportions of, say, "Yes" under a dichotomous question. This condition is fulfilled by all dichotomous questions in the questionnaire.

117. In the case of the binomial distribution, the "worst case" (i.e. the probability of occurrence of, say, "Yes" in a "Yes/No" question of $\underline{P} = 0.5$) was used in the computation of the maximum sample size. In the case of scaled questions, i.e. with the options of 1 to 7 in the questionnaire, let the number of options be $\underline{K}$ (= 7). If the significance level is α, and the number of options with non-zero responses are denoted by $\underline{M}$, Thompson[23] (1987) shows that the "worst case" (i.e. that generates the maximum sample size for a given α) of a multinomial distribution has $\underline{P} = 1/M$ for M categories and $\underline{P} = 0$ for the remaining M - K categories, where M depends on $\underline{K}$ and α. For a 5 per cent significance level, Thompson (1987) shows that the "worst case" is where $D^2n_o = 1.27359$, where D is the error term, n_o is the sample size without finite population correction factor, and M = 3. In addition, Thompson (1987) shows that (a) the choice of sample size does not depend on the number of categories ($\underline{K}$) in the population provided that $K \geq M$, and (b) D^2n_o has different values depending on the value of α. For D = 0.1, the value of n_q = 127. Using finite population correction factor, the sample size (n) is derived to be 53, a condition which was satisfied by all the scaled questions in the survey of IESC VE-assisted firms.

118. For continuous variables[24], we first derive an intermediate value of n called n_0.

$$n_0 \quad = \quad (NtS/d)^2$$

where N is the population size (92), S is the standard deviation, and t = 1.96 (the normal deviate corresponding to the desired confidence probability of 95 per cent). The value of n is given by the formula:

$$n \quad = \quad n_o \,/(1 + n_o/N)$$

<u>Employment (now)</u>	$n = 65,\ S^2 = 14042.62,\ d = 15.5$
<u>Real revenue (now)</u>	$n = 48,\ S^2 = 7.9030E^{15},\ d = 29$
<u>Real assets (now)</u>	$n = 42,\ S^2 = 4.5701E^{16},\ d = 46.2$

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[23]. see Thompson, S.K., 1987. "Sample Size for Estimating Multinomial Proportions", <u>The American Statistician</u>, Publication of the American Statistical Association, Washington DC, <u>41</u>(1), February, pp. 42-46; and Angers, C. (1989). "Note on Quick Simultaneous Confidence Intervals for Multinomial Proportions", <u>The American Statistician</u>, Washington DC, <u>43(2), May, p. 91</u>.

[24]. The most recent total revenue and total assets data has been re-based to June 1992 using the Nairobi Lower Income Consumer Price Index.

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Since the error term (d) is very high, it means that the distribution of each variable (e.g. employment, total real revenue and total real assets) is not normal. Due to the large error term, the survey data on quantitative impact indicators is not sufficient to describe the characteristics of the whole target population. The analysis based on normal distribution does not hold since the population from which the sample is drawn is not normally distributed.

119. To measure the extent to which employment, total real revenue and total real assets data for the most recent period are normally distributed, we shall use Skewness[25] and Kurtosis[26] statistics. The data on total revenue and total assets has been re-based to June 1992 using the Nairobi Lower Income Consumer Price Index. The statistics are presented below:

Table 43: **NORMALITY OF EMPLOYMENT, REVENUE, ASSETS DATA**

	Employment	Revenue	Assets
Mean	94.2	56,221,665	96,320,415
Minimum	2	53,420	301,007
Maximum	650	353,908,664	1,066,066,856
Median	46	24,955,061	26,965,220
Kurtosis	7.534	5.370	11.641
Skewness	2.482	2.439	3.404

From Table 43, it is evident that employment, total real revenue and total real assets data have long right tails, with larger number of observations falling into the tails of the distributions than would be the case with normally distributed variables.

120. It is possible for the absolute values of employment, real revenue and real assets data not to be normally distributed, but for the distribution of the growth rates to be normal. However, as can be seen from the skewness and kurtosis statistics in Table

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25. An index of the degree to which a distribution is not symmetric or to which the tail of the distribution is skewed or extends to the left or right. In a normal distribution which is symmetrical, the skewness is zero. A distribution with a significant positive skewness has a long right tail. (See, Nie et al (1975)

26. A measure of the extent to which observations are clustered in the tails. For normal distribution, the value of the kurtosis statistic is zero. If a variable has a negative kurtosis, its distribution has lighter tails than a normal distribution. If a variable has a positive kurtosis, a larger proportion of cases fall into the tails of the distribution than into those of a normal distribution. With the skewness statistic, kurtosis is used to assess if a variable is normally distributed.

44, the growth rates of employment, real revenue and real assets are also not normally distributed.

Table 44: **NORMALITY OF EMPLOYMENT, REVENUE, ASSETS DATA (Growth Rates)**

	Employment	Revenue	Assets
Mean	0.086	0.074	0.724
Minimum	-1.349	-0.486	-0.362
Maximum	1.172	1.558	17.514
Kurtosis	8.210	10.103	37.787
Skewness	-0.330	2.750	5.951

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STATISTICAL ADDENDUM

121. After the evaluation report had been completed, there were suggestions concerning the analysis of scaled data and distribution-free interval data. The statistical tests of significance using the Student's t and the F-test in the evaluation report were subsequently re-done using <u>non-parametric statistics</u>. However, the use of non-parametric statistical measures of significance did not change the conclusions based on parametric tests.

122. To test the statistical significance of difference in two or more samples separated by a certain criteria, e.g. rural/urban location of the responding firms, the appropriate test depends on:

(a) Whether data are measured on a nominal (classificatory) scale, ordinal (ranking) scale or interval (cardinal) scale; and

(b) Whether the observations on a variable measured on an interval-level scale e.g. growth rates of employment, real revenue or real assets, follow a known distribution.

123. Data measured on nominal or ordinal scales should be analyzed using non-parametric methods. If the form of the distribution is binomial, e.g. "Yes/No" questions, then the binomial test of significance should be used. However, if data measured on an ordinal scale e.g. by towns or sectors contain more than two classifications, then the multinomial distribution should be used. The binomial test falls within the class of non-parametric methods.

124. If data is measured on an interval scale, the researcher can use the <u>Kolmogorov-Smirnov goodness-of-fit test</u> to identify the form of the distribution[27]. If the data are normally distributed, then the normal Student's t and the F-test can be used in the tests of hypothesis. Other forms of distribution functions that the Kolmogorov-Smirnov goodness-of-fit test run on the SPSS package can identify are the Poisson and Uniform distributions, while the STATGRAPHICS computer package can be used identify up to 18 distribution functions. If the form of the distribution is established, the tests of significance should be relevant to the particular distribution function. For example, if the form of the distribution of a variable measured on an interval-scale is normal, the analysis using the Student's t and the F-test holds.

125. Since the form of the distribution of the growth rates of employment, real revenue and real assets is not known, the growth

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[27]. See Mood, Graybill and Boes (1974), Chapter XI and Siegel (1956), <u>passim</u>.

rates of, say, employment, can be arranged by ranges e.g. less than minus 5 per cent, minus 5 per cent to zero, zero to five per cent, etc. The cases are then arranged into a 2xK contingency table, where 2 are the classes defined by one priority area e.g. rural and urban (which is an ordinal level variable), and K are the number of categories the growth rates have been split into[28]. The test of the equality of the two multinomial distributions can be made using Chi-square test, with (K-1) degrees of freedom. The practical problem in the use of the multinomial distribution for non-normal data measured on an interval scale is the number of classes the data should be split into, as different data groupings can generate different levels of significance. Since classifying growth rates into a few categories is wasteful of data, the Mann-Whitney U test[29], also known as Wilcoxon test, is used below as it uses more of the information in the observed data.

126. The Mann-Whitney U test combines the data from the two samples ranked in order of increasing size, taking care to identify the sample each particular score was obtained from. Assume that the size of the smaller sample (A_1) is n_1 and for the larger sample (A_2) is n_2. The U statistic is the number of times a score from Group A_2 precedes a score from Group A_1. If the pooled sample size ($n_1 + n_2$) is less than 30, the SPSS computer package displays the exact probability level based on the distribution of the U. If the pooled sample size is more than 30, the U is transformed into a normally distributed Z statistic (with zero mean and unit variance)[30], where:

$$Z = \frac{U - (n_1 n_2/2)}{\sqrt{\{n_1 n_2 (n_1 + n_2 + 1)/12\}}}$$

127. To test whether K independent samples defined by a grouping variable are from the same population, we use the Kruskal-Wallis one-way analysis of variance by ranks, which is an extension of the Mann-Whitney U used for two samples[31]. The Kruskal-Wallis test is the non-parametric equivalent of the parametric one way analysis of variance (ANOVA). The Kruskal-Wallis H statistic has approximately a Chi-square distribution with K-1 degrees of freedom under the hypothesis that the K groups have the same distribution, provided that the sizes of the various K samples are not too small.

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28. Details of the tests of hypothesis can be found in Mood, Graybill and Boes (1974), Chapter IX.

29. See Mood, Graybill and Boes (1974), Chapter XI; and Siegel (1956) for details.

30. See R.V. Hogg and A.T. Craig (1989), p. 330.

31. See Siegel (1956) for details.

128. To determine the required sample size (n_0) for distribution-free (non-parametric) tests at 5 per cent significance level (α) and within a margin of sampling error ($\underline{d}$) of 10 per cent, then[32]

$$n_0 = (1.36/\underline{d})^2.$$

Since the tests of significance conducted are double-sided, then

$$\underline{d} = 0.1/2 = 0.05; \text{ and}$$
$$n_0 = (1.36/.05)^2 = 740$$

Adjusting for the finite population correction factor, the required minimum sample size from a population N (= 92) is n (= 82). Since the distributions of growth in employment, real revenue and real assets are not normal, the minimum response for the quantitative impact indicators that would give acceptable precision (i.e. at 5 per cent significance level and within an error of 10 per cent) is 82 firms. This condition was not fulfilled by any of the quantitative impact indicators in the survey of IESC VE-assisted firms. For example, in the case of growth of employment, a response of 62 instead of the required minimum of 82 firms derived above translates to a sampling error of 19.7 per cent instead of 10 per cent at 5 per cent significance level.

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[32]. See Dixon, W.F., F.J. Massey. 1969. Introduction to Statistical Analysis, Third edition, McGraw-Hill, Inc., New York.

Table 45: **RELATIONSHIP BETWEEN INTEREST IN FUTURE VE ASSISTANCE AND PERFORMANCE INDICATORS**

	Number of firms	Per Cent of firms	Mean Rank	U	Z-Value	2-Tail Prob.	Z-Critical
Annual Average Growth in Employment							
Interested	31	52.5	32.69				
Not interested	28	47.5	27.02	350.5	-1.2743	0.2026	1.645
Annual Average Real Growth in Revenue							
Interested	22	51.2	26.59				
Not interested	21	48.8	17.19	130.0	-2.4539	0.0141	1.645
Annual Average Real growth in assets							
Interested	29	64.4	24.29				
Not interested	16	35.6	20.66	194.5	-0.8892	0.3739	1.645
Degree of implementation of VE's recommendations							
Interested	38	60.3	33.50				
Not interested	25	39.7	29.72	418.0	-0.8040	0.4214	1.645

Note: "Not interested" includes those who answered "no" and "do not know".

The mean rank is the sum of the ranks divided by the number of cases in the category.

129. The Mann-Whitney U-test shows that there is no significant difference in the growth rates in employment, real assets, and degree of implementation of VE's recommendations, between the two groups, i.e. those "interested" and those "not interested" in future VE assistance (Question 37(a)). However, there is statistical evidence to suggest that the group of respondents who were interested in future VE assistance had a significantly higher annual growth rate in real revenue compared with those "not interested" in future VE assistance. The same conclusions were arrived at using the T-test at the same significance level (see Table 22).

Table 46: ANNUAL AVERAGE GROWTH IN EMPLOYMENT: FIRMS BY PRIORITY AREAS

	Number of firms	Per Cent of firms	Mean Rank	U	Z-Value	2-Tail Prob.	Z-Critical
Ownership by Gender							
Women-owned	19	34.5	25.92				
No female-ownership	36	65.5	29.10	302.5	-0.7028	0.4822	1.645
Size categories							
Small and Medium	48	81.36	31.56				
Large	11	18.6	23.18	189.0	-1.4675	0.1422	1.645
Sectoral priority							
Agribusiness	8	13.6	31.88				
Other	51	86.4	29.71	189.0	-0.3339	0.7385	1.645
Rural Priority							
Rural	7	11.9	28.71				
Urban	52	88.1	30.17	173.0	-0.2121	0.8320	1.645
Exporting							
Exporting	13	27.1	24.69				
Non-exporting	35	72.9	24.43	225.0	-0.0582	0.9536	1.645

Note: "Food, beverages and tobacco" sub-sector is included in agribusiness rather than the manufacturing sector.

130. The difference in the distributions of growth rates in employment between two groups defined by a priority area is tested at the double-sided (two-tail) 10 per cent significance level. Using the Mann-Whitney U-test, the calculated Z-values are all below the critical values as shown in Table 46. The low values of Z means that the quantitative impact of VE assistance was not significantly different between firms which fulfilled a priority area and those that did not. The same conclusions were arrived at using the T-test at the same significance level (see Table 23).

Table 47: ANNUAL AVERAGE GROWTH IN REAL REVENUE: FIRMS BY PRIORITY AREAS

	Number of firms	Per Cent of firms	Mean Rank	U	Z-Value	2-Tail Prob.	Z-Critical
Ownership by Gender							
Women-owned	15	38.5	19.87				
No female-ownership	24	61.5	20.08	178.0	-0.0577	0.9540	1.645
Size categories							
Small and Medium	33	76.7	21.64				
Large	10	23.3	23.20	153.0	-0.3450	0.7301	1.645
Sectoral priority							
Agribusiness	7	16.3	21.71				
Other	36	83.7	22.06	124.0	-0.0658	0.9475	1.645
Rural Priority							
Rural	4	9.3	24.25				
Urban	39	90.7	21.77	69.0	-0.3763	0.7067	1.645
Exporting							
Exporting	11	25.6	24.00				
Non-exporting	32	74.4	21.31	154.0	-0.6124	0.5403	1.645

Note: "Food, beverages and tobacco" sub-sector is included in agribusiness rather than the manufacturing sector.

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131. Similarly, using the Mann-Whitney U-test on annual growth rates in real revenues and a critical value of Z corresponding to α=0.10, we reject the hypothesis that there is significant difference in the distributions of the two samples created by categories generated by the following priority areas: women-owned, small and medium-sized, agribusiness, rural-based and exporting. There is therefore not enough evidence that the two samples in each of the specified categories have significant differences in annual average growth of real revenues. The same conclusions were arrived at using the T-test at the same significance level (see Table 24).

Table 48: ANNUAL AVERAGE GROWTH IN REAL REVENUE

	Number of firms	Per Cent of firms	Mean Rank	U	Z-Value	2-Tail Prob.	Z-Critical
Production increased?							
Yes	33	76.7	24.18				
No	10	23.3	14.80	93.0	-2.0699	0.0385	1.645

132. Since increase in volume of production is expected to translate into growth in real revenue, a Mann-Whitney U- test was conducted using responses to Question 33(a) and annual growth in real revenue, by dividing the firms between those that responded "Yes" and those that responded "No". Table 48 shows that there was statistically significant difference in the distributions of the growth rates in real revenue between those who answered "Yes" and those who answered "No" to Question 33(a). This shows that the quality of data on total revenue at baseline and for the most recent period was generally indicative of the true direction of change in total revenue. The same conclusions were arrived at using the T-test at the same significance level (see Table 25).

Table 49: ANNUAL AVERAGE GROWTH IN REAL ASSETS: FIRMS BY PRIORITY AREAS

	Number of firms	Per Cent of firms	Mean Rank	U	Z-Value	2-Tail Prob.	Z-Critical
Ownership by Gender							
Women-owned	15	35.7	24.13				
No female-ownership	27	64.3	20.04	163.0	-1.0370	0.2998	1.645
Size categories							
Small and Medium	34	79.1	23.21				
Large	9	20.9	17.44	112.0	-1.2241	0.2209	1.645
Sectoral priority							
Agribusiness	8	17.8	20.13				
Other	37	82.2	23.62	125.0	-0.6828	0.4947	1.645
Rural Priority							
Rural	3	6.7	25.67				
Urban	42	93.3	22.81	55.0	-0.3640	0.7158	1.645
Exporting							
Exporting	11	24.4	24.41				
Non-exporting	34	75.6	22.54	171.5	-0.4094	0.6823	1.645

Note: "Food, beverages and tobacco" sub-sector is included in agribusiness rather than the manufacturing sector.

Table 50: ANNUAL AVERAGE GROWTH IN REAL ASSETS

	Number of firms	Per Cent of firms	Mean Rank	U	Z-Value	2-Tail Prob.	Z-Critical
Investment increased?							
Yes	32	72.7	23.55				
No	12	27.3	19.71	158.5	-0.8829	0.3773	1.645

133. The Mann-Whitney U-test of significance was used to test differences in the distributions of the annual average growth in real assets using samples created by dividing the respondents into those which have met a specified priority area and those that have not. At the same level of significance (α=0.10) and using a double-sided (two-tailed) test, we find that there is not enough evidence to show that there is significant difference in the distributions of growth in real assets between the groups created by splitting the respondents into two categories, i.e. those that have met a specified priority area and those that have not. The same conclusions were arrived at using the T-test at the same significance level (see Table 26).

134. Similarly, the results of the Mann-Whitney U- test conducted on the two groups that responded to Question 34(a), i.e those who answered "Yes" and those who answered "No", using information on growth in real assets are presented in Table 50. The firms which reported increase in investment (Question 34(a)) would also be expected to report actual positive growth in real assets. The Z-statistic shows that there is no statistically significant difference in annual average growth rates in real assets between those who answered "Yes" and those answered "No" to Question

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34(a). The same conclusions were arrived at using the T-test at the same significance level (see Table 27).

Table 51: **IMPLEMENTATION OF RECOMMENDATIONS: FIRMS BY PRIORITY AREAS**

	Number of firms	Per Cent of firms	Mean Rank	U	Z-Value	2-Tail Prob.	Z-Critical
Ownership by Gender							
Women-owned	19	32.8	28.32				
No female-ownership	39	67.2	30.08	348.0	-0.3742	0.7082	1.645
Size categories							
Small and Medium	43	81.1	27.72				
Large	10	18.9	23.90	184.0	-0.7068	0.4797	1.645
Sectoral priority							
Agribusiness	12	18.8	27.25				
Other	52	81.2	33.71	249.0	-1.0885	0.2764	1.645
Rural Priority							
Rural	9	14.1	33.39				
Urban	55	85.9	32.35	239.5	-0.1552	0.8767	1.645
Exporting							
Exporting	13	30.2	23.62				
Non-exporting	30	69.8	21.30	174.0	-0.5571	0.5775	1.645

Note: "Food, beverages and tobacco" sub-sector is included in agribusiness rather than the manufacturing sector.

135. The Mann-Whitney U-test of significance was used to test differences in the distributions of the degree of implementation of VE's recommendations using samples created by dividing the respondents into those which have met a specified priority area and those that have not. Table 51 shows that, at 10 per cent significance level, there is no evidence that the two groups generated by each priority area have statistically significant differences in their degree of implementation of recommendations. The same conclusions were arrived at using the T-test at the same significance level (see Table 32).

Table 52: PERFORMANCE INDICATORS BY BROAD ECONOMIC CATEGORY

	Number of firms	Per Cent of firms	Mean Rank	Chi-Square	Significance Level
<u>Annual Average Growth in Employment</u>					
Agriculture	4	6.8	23.75		
Manufacturing	25	42.4	29.88		
Services	18	30.5	35.11		
Trade	12	20.3	24.67		
Total	59	100.0		3.3173	0.3452
<u>Annual Average Growth in Real Revenue</u>					
Agriculture	4	9.3	22.50		
Manufacturing	17	39.5	21.82		
Services	17	39.5	22.88		
Trade	5	11.6	19.20		
Total	43	99.9		0.3423	0.9519
<u>Annual Average Growth in Real Assets</u>					
Agriculture	3	6.7	24.33		
Manufacturing	20	44.4	19.33		
Services	17	37.8	26.62		
Trade	5	11.1	24.60		
Total	45	100.0		2.9612	0.3977
<u>Implementation of VE's Recommendations</u>					
Agriculture	7	10.9	26.07		
Manufacturing	30	46.9	34.40		
Services	17	26.6	35.06		
Trade	10	15.6	26.95		
Total	64	100.0		2.3777	0.4978

Table 53: PERFORMANCE INDICATORS BY SIZE OF FIRM

	Number of firms	Per Cent of firms	Mean Rank	Chi-Square	Significance Level
<u>Annual Average Growth in Employment</u>					
Micro-enterprises	8	13.6	27.88		
Small	25	42.4	33.32		
Medium	15	25.4	30.60		
Large	11	18.6	23.18		
Total	59	100.0		2.8386	0.4172
<u>Annual Average Growth in Real Revenue</u>					
Micro-enterprises	5	11.6	21.00		
Small	17	39.5	21.71		
Medium	11	25.6	21.82		
Large	10	23.3	23.20		
Total	43	100.0		0.1347	0.9874
<u>Annual Average Growth in Real Assets</u>					
Micro-enterprises	4	9.3	28.25		
Small	17	39.5	18.09		
Medium	13	30.2	28.35		
Large	9	20.9	17.44		
Total	43	99.9		7.1473	0.0673
<u>Implementation of VE's Recommendations</u>					
Micro-enterprises	7	13.2	19.36		
Small	23	43.4	27.54		
Medium	13	24.5	32.54		
Large	10	18.9	23.90		
Total	53	100.0		3.8400	0.2793

136. The Kruskal-Wallis test was used to test whether there is statistically significant difference in the performance indicators (annual average growth rates in employment, real revenue and real assets), and degree of implementation of VE's recommendations between sectors defined by broad economic category. Similar analysis was carried out using four way classification based on size of firms. The tests were conducted at 10 per cent significance level. From the calculated Kruskal-Wallis H statistics translated into Chi-square values in Table 52, we reject the hypothesis that there is statistically significant differences between the sectors in the annual growth rates in employment, real revenue and real assets, and the degree of implementation of VE's recommendations.

137. From the calculated Chi-square values in Table 53, we reject the hypothesis that there is statistically significant differences between the four firm size categories in the annual growth rates in employment, real revenue and the degree of implementation of VE's recommendations. However, unlike the results obtained using parametric methods, there is a statistically significant higher growth rates of real assets between the micro-enterprises and medium-size categories on one hand and the other two size categories on the other. According to Siegel (1956), if the combined sample size is large (> 30) and $\underline{K} > 3$, the number of observations in each category should be more than five. This condition has not been fulfilled in the case of growth of real assets since the count in the micro-enterprises category is four.

138. This section was intended to present results on whether the performance of firms that met a particular priority area is significantly different from those that did not, using non-parametric tests. This was done by testing the significance of the difference in the distributions of the annual average growth rates in, say, employment, between various groups e.g. rural- and urban-based firms, using the non-parametric equivalent of each parametric test used in the evaluation report. From the survey data, we conclude that there is no statistically significant difference in annual average growth rates of impact indicators between the groups created by dividing the responding firms between those that have met a particular priority area and those that have not. In all cases, save one, the conclusions reached using non-parametric methods were the same as those generated by parametric methods.

SUMMARY AND CONCLUSION

INTRODUCTION

139. The sample consisted of 99 firms out of which 89 were commercial firms which had received separate VE project interventions, GMK headquarters, two GMK dealership Group clients and seven K-MAP clients. The overall response rate was lower than expected: there were only 54 (54.5 per cent) complete responses and 17 (17.2 per cent) partial responses. Out of the 99 commercial firms targeted for the survey, 80 (80.8 per cent) were urban-based, i.e. were located in Nairobi and Mombasa.

140. Almost all the responding firms had met the eligibility criteria, i.e. had majority-ownership in the hands of private Kenyan citizens. The only commercial firm which did not fulfil the eligibility criteria is General Motors, although it was not intended to be the primary beneficiary of the GMK Group intervention. All the commercial firms fulfilled at least one of the priority areas specified in the Grant Agreement, i.e. small and medium, agribusiness, women-owned, rural-based, exporting and/or labor-intensive.

141. The dominant type of VE consultancy provided was on improvements on production systems of the IESC clients (38 interventions, 48 per cent of the VE consultancies), followed by business/strategic planning (13 interventions, 17 per cent). The mean score of the extent to which the firm's capabilities were enhanced by the VE assistance suggests that VE assistance was most effective in "production" and production-related consultancies.

142. In the case of employment, the major category of responding firms was the "small enterprises" (11 - 50 employees), with 42.6 per cent of the respondents at baseline and 47.5 per cent for the most recent period. Using data ranked by total real revenue, 27.9 per cent of firms fell in the Shs 0 - 10 million range at baseline compared with 32.6 per cent for the most recent period. The size distribution of firms by level of total real assets roughly corresponds to the distribution using real revenue, with the largest category (40.0 per cent at baseline and 35 per cent for the most recent period) having asset levels of Shs 10 million or less. The weighted annual average growth rate for firms which reported both baseline and most recent period data was 3.3 per cent for employment, 3.7 per cent for real revenue and 29.0 per cent for real assets.

GROUP CLIENTS

143. The K-MAP Group project intervention gave assistance to the intended beneficiaries, and the VE focussed on the individual needs of each firm. The GMK dealership benefitted the facilitator, i.e. General Motors, rather than the individual dealers. One lesson from multiple cooperating (Group) clients

is that, although the average cost per client is low, the impact of the assistance is also likely to be low. Secondly, there is the additional risk of the assistance being re-directed to benefit the facilitator, rather than the intended beneficiaries. This risk may be greater when the facilitator is a commercial enterprise. The experience of K-MAP Group intervention shows that group assistance facilitated by private sector development institutions may be more likely to reach the intended beneficiaries.

CLIENTS' OPINION OF VOLUNTEER EXECUTIVES

144. The clients' opinion of IESC Volunteer Executives was measured in terms of VE's knowledge and skills in the area in which (s)he was assisting the firm, VE's ability to explain things, relationship with firm's employees, VE's matching to company's needs, the extent to which the VE fulfilled expectations for his/her work that were stated in the IESC agreement, and the overall usefulness of the VE assistance to the firm. Based on these indicators, the clients' opinion of the VEs is fairly positive. However, six respondents (8 per cent) gave low scores to the overall usefulness of VE assistance provided to their firms. The explanations for the VE's failure to fulfil the scope of work seem to be more related to the efficiency in VE-client matching e.g. lack of knowledge about local business conditions and VE's background unsuitable to firm's needs. The predominant constraints to implementation of VE's recommendations are beyond the control of the VE, i.e. the firm-level specifics and the economy-wide constraints. It appears that the VE-client matching could be improved if clients were to write down detailed project proposals about their problem areas that they would like the VEs to assist in. The brevity of the IESC needs assessment reports might not adequately capture specific needs of prospective IESC clients.

INSTITUTIONAL ISSUES

145. For the responding firms, the main sources of information about IESC services were identified as locally-based firms/NGOs/individuals and IESC direct marketing efforts. The "IESC direct marketing efforts" category includes those respondents who heard about IESC from USAID and American Embassy personnel. Out of 66 respondents who gave definite responses on whether the firms were interested in more VE assistance, 42 (63.6 per cent) answered in the affirmative. The firms expressed interest in more VE assistance in the following areas: production (21 firms), marketing (2), financial management (1), personnel management (1), business/strategic planning (3) and organizational management (1).

146. It appears that IESC/Kenya has not been very successful in marketing its other new services i.e. American Business Linkage Enterprise (ABLE) Projects and Joint Venture Service (JVS) Projects. Out of all the respondents, only six respondents knew

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about ABLEs and only four knew about JVS. Only one respondent had received ABLE services, while no respondent had received JVS services.

147. The matching of VE skills with firm's needs as outlined in the IESC needs assessment is crucial to the success of VE assistance. However, explanation of why the VE did not fulfil expectations for his/her work and problems having to do with the IESC VE assistance perceived by the firm, appear to be problems that could have been minimized with improved VE-client matching. For example, out of 26 VE project interventions, ten reported that the VE did not fulfil his/her scope of work because the VE's background was unsuitable to the firms' needs.

TRANSFER OF TECHNOLOGY

148. Firms acquire new technology as a result of VE assistance, which has helped the clients to improve their production and organizational capabilities. The survey results show that, out of 62 VE project interventions, 5 (8.1 per cent) led to acquisition of new plant/equipment/other tangible things, 44 (71.0 per cent) led to acquisition of new information/processes/practices, while 13 (21.0 per cent) led to acquisition of both new plant/equipment/other tangible things and new information/processes/practices. The predominant medium of acquisition of technology is direct acquisition of technology from the VEs (50 responses, 74.6 per cent), followed by purchase of new technology (14 responses, 20.9 per cent). The limited acquisition of technology through purchase of new equipment could be partly attributed to the firms' limited financial capabilities to implement the VE's recommendations.

CLIENTS' FEES PAID

149. About 58 per cent of the clients paid less than 20 per cent of the total cost of VE services, only 6 per cent of the respondents paid more than 50 per cent of the fees, and no client exceeded 71 per cent. The data does not include motor vehicle dealers under the GMK Group project intervention and the K-MAP Group clients.

150. One of the issues that was to be resolved by the survey data is whether the proportion of fees paid is correlated with the firm's performance (as measured by the growth in impact indicators) and the degree of implementation of VE's recommendations. There was a positive but weak correlation between the proportion of fees paid and the degree of implementation of VE's recommendations, growth in employment and real growth in revenue. The low values of the correlation coefficients suggest that there is little or no relationship between the proportion of fees paid by clients to the performance of the client firms as measured by degree of implementation of VE's recommendations and changes in quantitative impact indicators.

LENGTH OF VE' STAY WITH CLIENTS

151. Ten VE project interventions (13 per cent) had durations of less than 4 weeks, 36 (47 per cent) had durations of 4 to 8 weeks, 21 (27.6 per cent) had durations of 8 to 12 weeks, while nine consultancies (12 per cent) exceeded three months. The data shows that the duration of VE assistance explains only a negligible percentage of changes in impact indicators (employment, revenue and assets).

152. It is, however, difficult to explain the negative, though weak, relationship between the duration of VE's stay with the firm and the degree of implementation of VE's recommendations. The survey data did not therefore provide answers on the optimal length of VE assistance. This implies that the degree of implementation of VE's recommendations may be highly correlated with the firm's capabilities, to the extent that the firm-level specifics obscures the impact of the variability in duration of VE assistance.

153. The prevailing economic conditions, characterized by declining growth in Gross Domestic Product and fixed investment, have affected firms assisted by IESC. Out of 64 firms that responded to Question 41(a), 45 (70.3 per cent) reported that factors in the Kenyan economy and/or policy and regulatory environment had a significant negative impact on firm's performance since the first IESC VE assistance was received. The firms reported that they have been negatively affected by shortage of foreign exchange (25.8 per cent of responses), general economic conditions (14.4 per cent), access/cost of finance (8.2 per cent) and the regulatory and licensing requirements (9.3 per cent). These economy-wide factors may have negatively affected the growth in quantitative impact indicators (employment, real assets, real revenue).

LESSONS LEARNED

QUESTIONNAIRE DESIGN

154. At the beginning of the questionnaire design process, there was protracted debate between the consultants and the USAID/Kenya staff on the contents of the questionnaire, especially on the open-ended questions. In addition, there was the additional issue of the data that could, practically, be collected through the questionnaire. For example, it was found impractical to fulfil the requirement in the scope of work on the division of firms by labor-intensity. This would have required data on labor costs in monetary terms.[33]

155. The lack of a comprehensive sectoral classification in the Monitoring and Evaluation system of USAID/Kenya led to consultations on the appropriate sectoral classification to be used in the questionnaire and data coding. One particularly contentious issue was the definition of agribusiness[34], and whether tourism could be separated from other services. It would be important for USAID/Kenya to develop a comprehensive sectoral classification that guides the consultants in fulfilling the scope of work.

156. A perusal of the responses in the Questionnaire shows that there was ambiguity in the way some questions were worded. For example, Question 35(b) was supposed to measure willingness and not ability to pay for future IESC Volunteer Executive assistance. Since the responses combine notions of both willingness and ability to pay, it would be difficult to make firm conclusions from the data collected. As a rule, a general question should not be asked when a specific answer on a question is wanted. In the case of open-ended questions, the responses were useful, both in providing additional information and in editing responses to other questions. For example, a respondent who answers "Yes" to Question 28(a) (whether the firm has ever tried to obtain follow-on advice after the VE completed the assignment) but describes the follow-on advice that the firm attempted to obtain (Question 28(b)) as discussions to obtain the same or another VE under a new Agreement, should be coded "No" under Question 28(a). Open-ended questions with no directions on probing are, however, a burden in coding, and should only be

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33. The IESC Manual defines a labor-intensive industry as a "manufacturing or agricultural activity that is dependent on extensive use of skilled or unskilled labor to produce products rather than an activity that can be carried out by a limited number of employees; i.e. factory operations which depend on a great deal of handwork or agricultural activities that depend on workers rather than machines." However, the IESC Manual does not provide a technical definition and the dividing line between labor and capital intensive industries.

34. The IESC Manual defines agribusiness as "any project that has to do with food, from the seed to the consumer".

used to obtain further information and clarifications on other coded or dichotomous questions.

SURVEY ORGANIZATION

157. By the time the contract became operative, a complete list of clients had not been prepared by IESC/Kenya. IESC/Kenya produced a client list which was later amended by USAID/Kenya on the basis of the scope of the survey (see Annex V of this report for details). The client list did not have correct addresses and telephone numbers for all the firms. This essentially required extra time to extract the addresses from the IESC/Kenya files and the telephone directories. Information on the physical locations of the firms was virtually non-existent in the IESC/Kenya files, and some time was spent telephoning the clients to obtain their physical addresses.

158. One of the positive aspects of the survey organization was that the survey specialist was not the team leader, thereby affording him enough time to concentrate on the technical issues of the survey. There was also a research assistant hired by the consultants to handle the administrative and logistical issues of the survey organization.

159. There were special problems in contacting clients from outside of Nairobi who could not be reached on telephone for appointments. Hence, the non-response rate for the outside of Nairobi clients is very high. The survey period should ideally allow time for call-backs to clients located far from Nairobi. There may also be need to follow-up on the clients from outside Nairobi who might be willing to be interviewed but were not in their duty stations during the period of the survey.

160. The time allowed for data entry, programming and analysis, was inadequate. The computer programming requirements are the same regardless of the size of the sampled population. The data was entered in DBase IV so as to be able to handle 169 original variables from the questionnaire and additional composite variables; while analysis was done using SPSS. The SPSS package had two limitations. First, SPSS could not run different modules or programs on one variable at one go. Second, SPSS could not run a module on several variables at one go e.g. could not compute a t-test for growth in employment, revenue, assets, by sectors in one run. It appears that the memory does not clear before processing the next variable. The solution was to run each module on its own. This invariably meant writing many modules, which was time-consuming. However, we have since learnt that all the modules can be included in one program if the SPSS data file is retrieved afresh at the beginning of each module.

CHOICE OF ENUMERATORS

161. Although the best care was taken to choose enumerators who had relevant academic background and previous experience in field

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surveys, there were some enumerators who had very high rates of non-response. This may imply that the non-response may be highly attributed to the individual efforts of the enumerators. In the case of partial responses, the aggressive enumerators had a poorer response rate than the polite but confident enumerators. A respondent who is willing to spend over half an hour to be interviewed is unlikely to refuse to divulge seemingly neutral firm-level data such as employment levels. According to Moser and Kalton (1979, p. 286), "what one asks is that the interviewer's personality should be neither over-aggressive nor over-sociable. Pleasantness and a business-like manner is the ideal combination."

162. Some company executives whose firms were included in the survey did not directly refuse to be interviewed but continued postponing appointments. They were therefore declared non-response due to the expiration of the period of the field survey. Due to the short time that some respondents allowed the enumerators to spend with them, some enumerators did not ask the additional questions on "If yes/no, please explain". This type of information is important in editing the responses to the main questions.

CONCEPTUAL ISSUES

163. Employment. There are a number of conceptual issues, especially on the quantitative impact indicators of IESC/Kenya assistance on its client firms, that had bearing on the questionnaire design. Since employment is conceptually supposed to refer to the hours worked rather than the terms of service (e.g. whether casual or permanent employee), employment data should, ideally, be collected on the basis of hours worked per week or per month, i.e. full-time and part-time employment. This distinction would have been very demanding on the respondents, in addition to the analytical difficulty of converting part-time employment data into equivalent full-time employment. It was therefore found more practical to ask only about the number of employees by gender regardless of terms of service or hours worked. There are also practical limitations in the interpretation of the growth rate in employment at the firm level. If a VE advised the client firm to cut down redundant staff, a short-term negative growth rate in the firm's employment level may be an improvement in efficiency of the firm's operations. It was therefore not possible to determine whether a small decline in employment was due to a decline in demand for labor or as a result of staff retrenchment in an effort to improve the level of efficiency.

164. In case of employment by gender, the data from the field are more reliable for firms which either had employees from one gender or had a disproportionately large number of employees from one gender, as the respondent could recall the number of employees from the under-represented gender and subtract from the total establishment. According to the enumerators, data on

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employment by gender appear to have been respondents' estimates, especially for the baseline period.

165. Revenue. In the case of revenue, enumerators were briefed by the consultants and the USAID/Kenya staff to take care when collecting revenue data for different institutions included in the survey, especially banks and insurance companies as they hold public deposits and premiums on trust. The response rate for the revenue data was the lowest in the whole questionnaire. In most cases, the respondents estimated revenue, and only in few cases did they refer to their accounting records. This is why revenue data were given in rounded figures, e.g. millions of Kenya Shillings. In addition to the "recall-loss" that may affect all variables in the questionnaire, i.e. when the respondent fails to properly report an activity because (s)he has forgotten, there are motivations for the respondent to under-report revenue due to the fear that the information may fall in the hands of the income tax authorities.

166. Assets. The conceptual problems in assets data still remain, especially on the imputed growth rate in the level of assets over a short period of time, say, two years. If a firm's assets are recorded on historical cost accounting, the data on assets will remain the same during the period. The real growth rate in the asset level would therefore imply that the rate of depreciation of assets is assumed to be the same as the increase in the Nairobi Consumer Price Indices over the same period. It was also not possible to ascertain from the survey data whether the change in the firms' asset levels were a result of revaluation (capital gains) and/or depreciation.

167. Ownership. The concept of ownership by gender was introduced in an amendment to the Grant Agreement dated March 1991. According to the definitions introduced then, a firm would be considered woman-owned if a woman was among the owners; women need not be majority owners. The Grant Agreement is silent on whether women ownership of firms is a sub-set of foreign ownership or local equity, i.e. whether the female owner(s) is/are Kenyan citizen(s) or not. The same amendment introduced the concept of rural/urban location of the client firms, where any business assisted that was located outside of Nairobi and Mombasa was considered rural. If a firm was owned by another corporate body, the information on ownership by gender was not collected in the survey since it would have necessitated collecting information on the corporate body which owns or owned the firm when the client received IESC VE assistance. It might seem unfair to evaluate IESC/Kenya on the basis of choice of client firm by priority areas which were introduced in March 1991, i.e. when the Grant Agreement had been operational for almost four years. However, some client firms which would not have met at least one of the priority areas when the VE assistance was given could now be favorably evaluated due to the addition of the two priority areas i.e. ownership by gender and location of the firm (rural/urban).

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168. Data were not collected that would permit the evaluators to measure the labor-intensity of the client firms. Although this was one of the priority areas in the Grant Agreement, there were no working definitions introduced to track labor intensity. During the questionnaire design, it was agreed that the requisite data that would allow computation of labor-intensity (as the ratio of labor to capital in monetary terms) would not be collected, as this would have been very demanding on the respondents. The respondents would have been required to give data on the wage costs and other imputed employee benefits e.g. free or subsidized housing, transport, food, insurance and employer-provided medical schemes. The USAID/Kenya Grant Agreement and IESC/Kenya did not provide definitions of labor intensity that would be used as a guide by the evaluators. The lack of definition of labor intensity could lead IESC/Kenya to reject a potential client on the basis of size (i.e. if the potential client has more than a 100 employees and has not fulfilled at least one of the following priority areas: women-owned, rural-based, agribusiness or exporting), while, in reality, the firm has fulfilled the priority of being labor intensive.

169. The amendment to the Grant Agreement dated March 1991 provided definitions of the new priority areas i.e. rural and women-owned. However, there were no working definitions in the Grant Agreement of size of firm, agribusiness, and exporting businesses. For the purpose of the survey, agribusiness is taken to include agriculture (farm, plantation, ranch; horticulture; fishing) and the "food, beverages, tobacco" sub-sector of manufacturing. The measure of size of the firm given by USAID/Kenya to the consultants used the level of employment[35]. The four categories of firms, by size, are: micro-enterprises (those that employ 1 - 10 persons), small enterprises (11 - 50 employees), medium enterprises (51 - 100 employees), and large enterprises (over 100 employees). A client firm with 100 or fewer employees is assumed to fall in the category of "small and medium-size" for the purpose of the survey. There was no definition of exporting firms i.e. whether a firm which exports one per cent of its output should be considered an exporter. It would be useful to the evaluators to have working definitions of the concepts used in the Grant Agreements. The definitions should be imposed on evaluators, and the consultants should only comment on the validity of the concepts and definitions when concluding on the relevance of the survey findings.

LIMITATIONS IN MEASURING FIRM-LEVEL ASSISTANCE PROGRAMS

170. There is a general problem of attributing success or failures of firms to the services of IESC/Kenya. First, some VE consultancies were feasibility studies. If the VE recommended

[35]. The IESC Manual advises its Country Directors to consult their local AID Missions to determine a locally appropriate definition of small enterprise.

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that the project plans be shelved, the fact that the respondent canceled the plan to set up a new firm or production line on the basis of the VE's recommendations is a sign of effectiveness of the VE assistance. Second, there are economy-wide constraints that have negatively impacted on the business community in recent years, especially those dependent on imported raw materials. The economy is currently experiencing a severe recession (as demonstrated by the decline in the growth rate of the Gross Domestic Product), constraint in availability of foreign exchange due to economic stagnation and Government's standoff with the donor community, and social and political upheavals. These factors may have contributed to staff retrenchment, reduction in revenue, and disinvestment. Since comparable data on the performance of the firms which have not been assisted by IESC/Kenya are not available, we have no information on how the firms would probably have performed without the VE assistance[36]. Finally, VE assistance is usually directed at a particular problem area in the client firm. The effectiveness of VE assistance might not therefore have substantial impact on the overall direction of the firm as measured by impact indicators.

171. There are two major sources of bias of firm-level surveys in measuring program impact. First, there was one non-response in the survey because of client dissatisfaction with a VE. If some of the clients who did not respond are those that were dissatisfied with the VE's performance, then the overall results would be biased. Second, even those who respond may suffer from the error of <u>leniency and severity</u> and the halo effect (Moser and Kalton, 1979, pp. 359-60). The error of leniency and severity refers to the respondent's dislike of being critical (leniency) or setting high standards (severity). The halo effect is the tendency to rate a VE on each scale according to the general impression, rather than according to the scale's meaning. According to Moser and Kalton (1979), "the halo effect of course causes a bias in the ratings, and it also introduces a spurious correlation between the various scales." The halo effect could have affected responses to questions relating to respondents' opinions about the VE, i.e. Questions 12, 13, 14, 15, 24 and 27 of the questionnaire.

172. The use of firm-level surveys to measure program impact is an informative method of project evaluation. The survey methodology can be used to measure the institutional capacity and effectiveness (e.g. client satisfaction) and the quantitative impact of assistance (growth in employment, real revenue, real assets and real export earnings). The information collected on

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[36]. If data on the performance of other Kenyan-owned firms (i.e. with majority shareholding in the hands of private Kenyan citizens) were available, such data would still not provide a benchmark with which to compare the performance of IESC/Kenya clients. This is mainly because the firms that seek IESC VE assistance are not necessarily representative of the whole population of Kenyan firms that would meet the priority areas specified in the USAID/Kenya Grant Agreement.

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the institutional processes is directly relevant in the program evaluation, as it provides more information than can be gathered by the most incisive analysis at the program level. However, the quantitative impact indicators are more difficult to interpret due to other economy-wide and firm-level opportunities and constraints that may influence the growth of the firm. If survey methodology is institutionalized as a necessary component of project evaluation, IESC and the Volunteer Executives would be careful in handling clients, because of the possibility of any negative experiences by the client being revisited during the evaluation.

173. However, there are two major problems in measuring firm-level impact of assistance. First, for a single donor program with a limited number of beneficiaries, it may be difficult to make legitimate judgements using statistical inference methods if the characteristics of the firms under study vary considerably. Secondly, assistance is given to firms that cut across sectors, locations, sizes and categories of ownership. Each set of firms has unique characteristics e.g. it is conceptually difficult to compare the impact of assistance on the performance of a large urban-based bank and a small restaurant in rural Kenya. The uniqueness of these characteristics makes it difficult to evaluate the effectiveness of assistance at the firm level.

174. After the evaluation report had been completed, the statistical tests of significance using the Student's t and the F-test were re-done using non-parametric statistics. However, in all cases, save one, the conclusions reached using non-parametric methods were the same as those generated by parametric methods.

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NAIROBI LOWER INCOME INDEX OF CONSUMER PRICES - BASE JAN/JUNE 1975=100

	1985	1986	1987	1988	1989	1990	1991	1992
January	337.00	363.40	379.60	402.20	441.70	488.30	568.00	636.90
February	338.20	367.00	382.60	403.60	442.80	490.10	569.30	638.70
March	355.10	367.10	385.90	406.60	450.70	501.60	574.70	669.40
April	355.50	367.10	385.50	410.70	454.60	506.00	578.30	675.94
May	355.40	367.30	386.00	413.00	459.80	506.10	583.60	701.92
June	357.60	368.60	388.70	421.10	462.90	511.00	590.30	793.53
July	357.00	369.10	389.20	422.80	465.50	511.20	592.50	
August	363.00	370.10	389.40	430.10	466.30	511.20	594.80	
September	363.00	370.10	395.20	435.60	473.80	522.20	613.20	
October	364.60	375.70	395.20	436.70	478.50	536.50	614.80	
November	364.20	378.70	397.20	439.00	479.30	559.90	618.00	
December	364.60	379.20	400.50	440.50	483.10	568.00	632.70	
Annual Average	356.27	370.28	389.58	421.83	463.25	517.68	594.18	
Exchange rate per US dollar (Annual average)	16.432	16.226	16.454	17.747	20.572	22.915	27.508	30.000

Note: The Old CPI series ended in March 1992. The data for April-June, 1992 is imputed from a new series by assuming the same pro-rata increase over the Old and the New CPI series.

Source: Kenya, Central Bureau of Statistics, Ministry of Planning and National Development.

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EVALUATION OF
THE INTERNATIONAL EXECUTIVE SERVICE
CORPS (IESC)/KENYA

Survey Instrument

and

Enumerators' Reference Manual

September 1992

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OBJECTIVES OF THE SURVEY OF IESC/KENYA CLIENTS

1. The International Executive Service Corps (IESC) is a U.S. Private Voluntary Organization (PVO) specializing in providing short-term intensive technical assistance to firms in developing countries. The technical assistance is provided by retired, volunteer American business executives whose experience is closely matched with the firms' needs. IESC has been operating in Kenya since 1973, with a break from 1980 to 1983.

2. The objectives of the USAID/Kenya Grant to IESC/Kenya, which started in June 1987, are to:

- improve the capabilities of targeted Kenyan companies in the areas of production, finance, marketing, management, and related operational areas;

- transfer technological expertise;

- assist IESC in reaching a wider-range and larger number of targeted firms, particularly smaller businesses, by enabling IESC to offer its services at lower fees;

- improve client firm growth, future efficiency and profitability.

3. The current grant covers three types of IESC activities: (a) Volunteer Executive (VE) Projects - the traditional IESC projects which provide short-term intensive technical assistance to targeted firms in Kenya; (b) American Business Linkage Enterprise (ABLE) Projects - which provide in-depth information/research services to targeted private sector enterprises; and (c) Joint Venture Service (JVS) Projects - which provide links between Kenyan and American companies in an effort to promote joint ventures. The purpose of the evaluation is to provide USAID/Kenya with an independent analysis of the impact IESC assistance has had on the client firms.

4. Some of the general policies governing the choice of clients by the IESC include:

a) Clients should be majority locally-owned and providing a product or service important to the local economy;

b) The Client should have sufficient resources, both human and material, to be able to utilize the technology that IESC is ready to transfer;

c) The Client must have a problem that the VE can be expected to solve within a reasonable amount of time, not to exceed three months;

d) The project must have the wholehearted support of the top management and the operating management with whom the VE will be working; and

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e) The Client must demonstrate his interest by contributing to the cost of the project, commensurate with the value of the assistance and his financial resources.

THE SURVEY DESCRIPTION AND ORGANIZATION

5. You will soon be engaged in the evaluation of the International Executive Service Corps (IESC)/Kenya. It will be administered on all firms/organizations which have received IESC assistance since 1987 under the USAID grant. The survey will have a limited scope for three reasons:

(a) It will only cover firms assisted by IESC Volunteer Executives and will not go into detail on other IESC services e.g. the ABLE projects and the Joint Venture services;

(b) It will only cover the IESC Volunteer Executive assistance provided under the financial support of USAID/Kenya grant since 1987; and

(c) The data on private sector development organizations/Non-Governmental Organizations (such as the Kenya National Chamber of Commerce and Industry) will not be tabulated jointly with that of commercial firms although information on processes (qualitative assessment of effectiveness of VE services) of these organizations will be collected during the survey. This is mainly because these organizations are few and the data pertaining to them can not be compared to those from commercial firms (which will constitute a big share of the sample). In addition, the impact indicators (e.g. sales, and assets) of commercial firms differ significantly from those of private sector development organizations.

6. **Training**

Your training as an enumerator is crucial to the success of the survey operation. The training will be conducted by the Evaluation Team (i.e. Michael Julien and John Mukui), the IESC/Kenya Country Director Mrs. Marianne Seekircher and USAID/Kenya staff (Ms Annamaria Watrin and Anne Inserra). The training will be conducted on Tuesday, July 14, 1992. In addition, this survey manual will be a useful guide to the enumerators during the survey period.

7. The list of clients that you will interview will be distributed to you in advance. For clients located in Nairobi and its environs, you will be required to deliver the letters personally. When you deliver the letters, you are required to make appointments and note the physical address of the client, the person you will interview, the date of the appointment, or the date and time you are supposed to call back to confirm an appointment. This information must be passed on to your supervisor at the end of each working day.

8. **Schedule of the Survey**

The survey will begin on Wednesday, July 15, 1992 and is expected to end on July 24. You are expected to interview two clients per day, one in the morning and one in the afternoon. If, say, you have an appointment with a client at 8.30 a.m. and (s)he has a two-hour meeting to attend, the schedule of the survey enables you to arrange an interview later in the same morning.

9. **Final Interview Status**

If a client fails to answer all the questions, code it as "partial response" and provide written explanations to your supervisor as to why the respondent failed to answer the questions. If a firm can not be interviewed for any reason, you are supposed to provide reasons why the firm could not respond. If a firm can not be contacted, establish whether the business has been closed temporarily, wound-up, under receivership/ liquidation, changed name, etc, using sources such as the Kenya Association of Manufacturers and the Registrar of Companies. A firm whose name has been changed will still be interviewed. This information will be coded on the first page of the questionnaire under "Final interview Status" using the codes given in this manual.

10. **Information to be Collected**

The questionnaire is divided into four main sections. The first section solicits basic identification information on the Client. The second section ("Impact of Specific Volunteer Executive Project Interventions") seeks information specific to one VE assistance. The different types of assistance provided to each client in your list will be provided to you in advance. The third main section is intended to track changes in employment, total revenues, total revenue from export sales, and total assets, from the time the client received IESC VE assistance up to the most recently-completed 12-month period for which firm's records are complete. The final part ("Miscellaneous") is mainly intended to measure the effectiveness of IESC/Kenya in marketing its new services (i.e. ABLE projects and Joint Venture Services). The definitions of these other IESC services are provided in the section on "Concepts and Definitions" of this manual.

PRINCIPLES OF INTERVIEWING

11. **Interviewing is a Specialized Art**

Interviewing involves two people -- interviewer and the respondent. Interviewing facilitates the obtaining of information from someone by asking questions. However, it differs from ordinary conversation in several respects:

(a) The interviewer and the respondent are strangers to each other. One of the main tasks is to gain the confidence of the respondent so that he/she is at ease and willing to answer the questions you ask.

(b) Unlike normal conversation, one person is asking all the questions and the other person answering them all. You must refrain from giving your opinion. You must not react in any way to what the respondent tells you. Never show disapproval but probe in a manner that should not offend the respondent. At all times throughout the interview you must remain neutral. However, you should show interest in the answers by nodding your head or saying something like "I see" or "Yes".

(c) There is a strict sequence of questions that must be asked. You must always be in control of the situation. This means you must maintain the interest of the respondent throughout the interview.

Here is a summary of some important points to be kept in mind during the interview.

12. Gaining Access to the Respondent

As mentioned above, you and the respondent are strangers to each other, yet you must approach the respondent and in a very short time gain his/her confidence and cooperation so that he/she will answer all the questions. First impressions of your appearance and the things you say and do are of vital importance in gaining the respondent's cooperation. Therefore, you must be sure that your appearance and behavior are acceptable to the respondent and also to other people in the area in which you will be interviewing. On meeting the respondent the first thing you should do is introduce yourself stating your name and what you want of the respondent. Use the following introduction:

> "Good morning. I am Mrs Philomena Wairimu. My visit this morning is part of an evaluation of IESC (The International Executive Service Corps)/Kenya. We are interviewing the managers of those businesses which have received assistance from IESC Volunteer Executives (VEs) since 1987. I would also like to talk to the counterpart(s) who worked with the VE, if possible. Your business is one of the many selected by the evaluation team for this study. I hope you have received a letter or phone call from IESC/Kenya informing you of my visit. The information I get from you will be confidential. The information will be pooled together with that of other respondents and be used to obtain knowledge on the strengths and weaknesses of IESC/Kenya services.

13. Confidentiality

All information collected from the business is strictly confidential. No individual report is to be released to anyone. Because some of the questions to be asked are personal, the interview should not be conducted in the presence of visitors unless the respondent, having first learnt the nature of the survey, has no objection.

14. Neutrality

Apart from confidentiality, most people are polite, especially to strangers, and they tend to give answers that they think will please the interviewer. It is therefore

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extremely important that you remain absolutely neutral towards the subject matter of the interview. Do not show surprise, approval, or disapproval of the respondent's answer by your tone of voice or facial expression.

15. **Probing**

First ask the question as it appears in the questionnaire. It can happen that the respondent's answer to a question is not satisfactory. From what is required, his/her answer may be incomplete or irrelevant, or sometimes he/she may be unable to answer the question as put to him/her. If this happens, then asking some additional questions is required to obtain a complete answer to the original question. Asking additional questions to obtain a complete answer is called probing. The probes must be worded so that they are "neutral" and do not lead the respondent in a particular direction. Remember that the quality of data to be collected depends very much on the enumerator's ability to probe correctly.

16. **Answers**

Each answer must be recorded in the correct space provided in the questionnaire. Record what the respondent says, not your own interpretation/summary. Before leaving the respondent you should check to see that all required questions have been answered. If the respondent gives answers which are relevant to later sections of the questionnaire, do not repeat the question but frame it as if you are re-confirming the earlier response. If the respondent gives an answer that contradicts an earlier response, confirm the true position. If the question requires a numerical answer, be sure to enter the appropriate number or zero if the answer is "None". If a space is left blank, it is impossible to tell whether or not the question was asked or answered. "No answer" and "0" have very different meanings when the survey is analyzed.

17. **Appointments**

You should always try to arrange beforehand for a suitable time for interviewing the respondent. You should never try to force the respondent to attend at a time that would obviously be inconvenient to him/her. Once a time has been set for an interview it is important that you keep the appointment on time. Being late for appointments inconveniences respondents and results in unpleasant situations.

18. Reluctant Respondents

Actual refusals are rare and for most enumerators there will be no refusals. If refusals come often, you will usually find something is wrong with the way you are introducing yourself or explaining the use of the survey. The person who says he does not have time for the interview is usually trying to put you off. Ordinarily a statement such as "this won't take very long" or "I can ask you some questions while you are working" will start the ball rolling and soon he/she will give you his entire attention. Always be honest. Never tell a respondent that the interview will take only fifteen minutes if you believe one hour will be needed. If he really does not have the time, make an appointment for a return visit. A good enumerator is proud of his ability to meet people with ease and friendliness and to secure their cooperation.

19. Call-Back Procedure

It is important that you attempt to interview the manager and/or the counterpart(s) who worked with the IESC Volunteer Executive, but occasionally you may need to make a second visit if the manager or the counterpart(s) are not there. Most of the questions that are contained in the questionnaire can only be answered by the manager of the business or a person who worked with the IESC Volunteer Executive. Do not try to complete the questionnaire by interviewing employees or other persons who are not familiar with the business.

20. Enumerator Review

As soon as possible after leaving the respondent, the enumerator must check over the questionnaire carefully to see that all the answers are complete. In some cases it may be necessary to revisit the respondent for more complete information and this is the time to do it. If the respondent has not compiled numerical data on assets, employment, sales, etc., you can call on telephone at a time agreed between you and the respondent to collect the missing data. Under the pressure to complete an interview, some enumerators become lazy in checking over each questionnaire while the interview is fresh in their minds. This part of the job should never be overlooked. Experience has shown that most of the problems involving completed questionnaires could have been eliminated by the enumerator if he had made a check of the questionnaire before handing it over to the supervisor. The enumerator should therefore plan his workload to include some time for checking the questionnaire.

21. Language

Interview the respondent in the language in which he/she feels most comfortable. If he/she prefers English, do the interview in English. If the respondent is most comfortable in Kiswahili, then speak Kiswahili. If he/she speaks only another language you understand, then you can do the interview in that language. If the respondent speaks only a language you do not understand, then you must raise this problem with your supervisor. If translating and probing, be sure you do not give the answer you expect.

22. **Translating Difficult Concepts**

When translating certain words, it is essential that the question is framed in such a way that it would mean the same as in the English phrasing of the questionnaire. There may be particular difficulty with the word work. In many languages, when a person is asked "Do you work?", it means "Are you employed by someone else for pay?" Try to avoid this type of misunderstanding when you are asking questions in other languages.

23. **Ending the Interview**

Once all the information has been obtained the interview should be brought to a close without undue extension. Even if the respondent is very friendly, you should always avoid overstaying your welcome. You should always acknowledge and thank the respondent for his/her time and willingness to provide you with the data. After completing the interview, thank the respondent for his/her time and cooperation. A respondent that you have favorably impressed will be willing to give additional information when his/her business is selected for another survey.

CONCEPTS AND DEFINITIONS[37]

24. **Country Director (CD)**: Director of IESC operations in country of assignment.

25. **Client**: Individual or organization IESC has agreed to assist or has assisted.

26. **Request for Assistance**: Client's application to IESC for help which, if approved, becomes the Agreement.

27. **Agreement**: Legal document specifying assistance requested of IESC by Client and conditions under which it will be rendered.

28. **Volunteer Executive (VE)**: Individual selected and confirmed to provide, or having already provided, consultancy services on one or more IESC clients.

29. **VE Project Intervention**: A consultancy service provided by a VE to an IESC client under a separate agreement.

30. **Group (Multiple Cooperating) Clients**: When a group of small Clients with similar businesses or problems agree to share the cost of assistance from a single VE under a single Agreement, this is only one project intervention.

31. **Separate Clients**: If a VE completes one project intervention and undertakes a second one for a different Client, these are two separate project interventions, regardless of whether the VE returns home or not between them.

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37. The definitions are mostly drawn from the IESC Manual.

32. **Piggyback Project**: A project, usually a month or less in duration, undertaken by a Volunteer Executive before returning home after completing another project in the same or an adjacent country.

33. **Work Plan**: The documents prepared early on in the project signed by the Client, Country Director, and Volunteer Executive, outlining and scheduling what the Volunteer is to accomplish during the rest of the project duration.

34. **American Business Linkage Enterprise (ABLE)**: A research service giving Clients a written report on equipment, suppliers, product specifications, potential partners and other information available in the U.S. ABLE usually offers a Client a minimum of 40 hours of phone and mail research. The study contains names of suppliers, distributors, etc., and reports all recommendations or comments made by sources. The final reports also usually point out how an IESC VE can help follow up on the research and recommendations made in the report.

35. **Joint Venture Services (JVS)**: An effort by IESC to identify and develop joint ventures between Clients and American companies. This type of service has not yet been successfully provided by IESC/Kenya.

36. **Private sector development organizations**: These are Non-Governmental Organizations such as the Kenya National Chamber of Commerce and Industry, trade associations and similar associations whose role is to foster the development of the private sector within the country. It also could include private charitable organizations devoted to services to the handicapped or other groups of persons who might otherwise be dependent on the support of public institutions.

GENERAL INSTRUCTIONS

37. **The VE assistance provided by the IESC/Kenya before June 1987 is out of scope of the survey**. For each VE project intervention, the firm must sign an agreement with IESC/Kenya. You will know of the VE project interventions each client has received within the USAID grant because it will be written on the data sheets provided to you in advance. A Volunteer Executive (VE) project intervention is defined as one that was taught by a particular Volunteer Executive. Always use the full words "Volunteer Executive" and not "VE" throughout the questionnaire. The references to "If yes" and "If no" in the questionnaire are for your own guidance but are not supposed to be read out to the respondent. For responses that are on a scale of 1 to 7, say what 1, 7, and 4 stands for, in that order. Probe by asking the question in a slightly different way. In several places, possible alternative ways to ask the question are written on the questionnaire. If you paraphrase the question, please note in the margin how you asked the question.

38. Some of the questions in the questionnaire will not be administered on Group clients. Before administering the questionnaire to the Group clients, strike out the

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following questions that you will not administer to the respondent: Questions 8, 11, 14, 15, 16, 24, 36, and 41. Administer the remainder of the questions to the Group clients.

39. There are four Non-Governmental Organizations (NGOs) that have received IESC VE assistance under the USAID/Kenya grant. These are: Rehabilitation Advisory Services, Capital Markets Authority, Kenya National Chamber of Commerce and Industry (KNCCI) and the Kenya Management Assistance Program (K-MAP). Some of the questions in the Questionnaire will not be administered to the NGO clients. Please delete the following questions: 2(h), 2(i), 2(j), 2(k), 3(b), 3(c), 5, 34 and 39. Note that some changes have already been made directly on the questionnaire. One major change is the replacement of the words "business", "company" and "firm" with the word "organization". In Questions 23(a), 23(b), and 23(c), replace "production" with "services', "business/strategic planning" with "long-range/strategic planning", and "organizational management" with "organizational/administrative management". Questions 31 and 32 have been revised to incorporate quantitative indicators of impact that are more relevant to the particular NGO e.g. numbers of client served and active members. You will also be required to gather information on the NGO's total budget, its sources, and percentage contribution from each source, both for the baseline period and for the most recently completed 12-month period prior to now for which records are complete. Question 33 should also be amended to ask only about total services since the NGOs are not engaged in production of goods.

PLAIN TEXT:	Is meant to be read by the enumerator to the interviewee.
BOLD TEXT:	Are either section headings or merely highlight words.
BOLD AND ITALIC TEXT:	Is meant to be special instructions/messages for the enumerator and should therefore not be read aloud to the respondent.

Plural forms or words that are placed in parentheses should be used by the enumerator only where appropriate.

GENDER:	The appropriate text should be read wherever both sexes appear in the text.

CONTROL FORM

41. The control form is the first page of the questionnaire. Leave the space for Questionnaire Number blank. Enter your name and the date of the interview. The codes for the "Final Interview Status" are given in this manual. If a particular client firm does not properly fit in the "Final Interview Status" categories given, you will be expected to include it under "Other (specify)" and provide sufficient details to your supervisor.

BASIC INFORMATION ON THE COMPANY

42. The purpose of this section of the questionnaire is to seek IESC Client business identification data. The enumerator should confirm from the respondent's secretary details on the business address and telephone number of the firm. You are supposed to note the physical location of the client (area, street, building, floor, etc.). If the respondent tells you the year but omits the month the business started, do not ask for the month.

43. You will be provided with information on the number of times the client received VE assistance, although you are still required to confirm Question 2(f). If the client has received VE assistance project intervention more than once since June 1987, Question 2(g) refers to the first project intervention. Confirm the dates with the respondent, and note down any cases where you are unable to confirm the dates. If you find out that the firm had other VE project interventions before June 1987, you should only circle the number of VE project interventions received after June 1987. For example, if the firm had three VEs, in 1986, 1989, and 1991, circle 2 and treat the 1989 assistance as the **first** VE assistance. However, please note in the margin that the firm received earlier VEs and their respective dates. The rest of the questionnaire should be directed only at those VE project interventions received since June 1987. If a group client was not involved in the signing of the Agreement with IESC/Kenya, leave Question 2(g) blank but confirm with the facilitator, i.e. K-MAP or General Motors, after the interview.

44. Questions 2(h) to 2(k) are supposed to solicit information on the ownership of the firm at the time it signed the first IESC VE agreement. The analytical aspects of ownership required are female (regardless of whether local or foreign) and foreign/local ownership. Question 2(h) excludes corporate ownership because it is difficult to determine the gender of corporate ownership.

45. For Question 3, the explanations appear in the questionnaire. If the firm produces goods or services that all fall within one sub-sector, do not ask Question 3(c).

46. On how the firm first heard about IESC/Kenya (Question 4), the answers may include newspapers, television, radio, other IESC clients, direct marketing efforts of IESC, etc. Do not prompt. The responses to this question will be coded after the data comes from the field.

IMPACT OF SPECIFIC VOLUNTEER EXECUTIVE PROJECT INTERVENTIONS

47. Section B of the questionnaire will be filled separately for each separate VE project intervention. For example, if the firm received two VE project interventions as indicated in 2(f), two copies of section B will be filled. You will be provided with information on whether the firm you will interview received **Group Assistance** or was a **separate client** (see section on "Concepts and Definitions" for definitions of Group and Separate project interventions). For the second, third, fourth, intervention, write down the name of the firm on the first page of Section B of the questionnaire before interviewing the firm on the repeat VE intervention. Ask Question 5(a) to 5(d) only to Group clients. If a group client was not involved in the signing of the Agreement with IESC/Kenya, leave Question 6 blank but confirm with the facilitating institution, i.e. K-MAP or General Motors, after the interview. If the VE assistance concerned is the first or the only that the firm received, do not ask Question 6 but repeat date from Question 2(g). Confirm the dates in Questions 6, 7, and 8 from the respondent. You will be required to note the cases where you were not able confirm the dates. The actual dates (Month, Day, Year) are required for Questions 7 and 8. It is therefore important for the respondent to refer to his files. The response to Question 7 will be used in Section C of the Questionnaire as baseline reference date in the evaluation of the quantitative impact of VE assistance.

48. Question 9 solicits information on the firm's needs that the VE assisted in. You should take sufficient details as this would be important when you ask the questions relating to recommendations and the changes the firm has made due to the VE intervention. Question 10 refers to the counterpart(s) i.e. the person(s) in the firm who worked most with the Volunteer Executive. On whether the VE assistance was received within a reasonable time after signing the agreement with IESC/Kenya (Question 11), the question is trying to find out the firm's opinion on whether the VE came within what the company considers a reasonable time.

49. Questions 12 to 15 rank the VE's knowledge/skills, ability to explain things, relations with the firm's employees, and matching of VE's skills to the firm's needs. Read out the ranking system to the respondent, from 1, 7, to 4, in that order. Question 15 solicits information on the adequacy of the VE's skills to solve the firm's problems stated in Question 9. The responses to Question 16, i.e. whether the VE understood the local conditions adequately to do his/her job effectively, may include VE's understanding of the availability of inputs, the government regulatory policies, etc, pertaining to a developing country. However, do not prompt.

50. In Question 19(a), new technology may refer to either new plant/equipment or new processes/techniques. Question 19(b) refers to the mechanisms of acquiring the new technology e.g. purchase of new technology, production-under-license agreement, marketing-under-license agreement, joint venture, techniques acquired directly from the VE, etc. Read out the options as given in the questionnaire. However, as the range of responses is likely to be more than the examples given in the questionnaire, ask the respondent "Anything else" after he has finished giving the

mechanisms of technology transfer listed in the questionnaire and code the response, if any, under Question 19(b)(vi).

51. The purpose of Question 20 is to solicit information on the skills gained as a result of the VE assistance and whether the firm has retained the skills/knowledge passed on by the VE to the staff members who have ceased working with the firm. In Question 20(d), the response could either be in number or per cent of the people who received assistance and are still working for the firm. Remember to read out the choices in Question 20(e), from 1, 7, to 4, in that order.

52. Question 21 is supposed to be a catch-all for any changes in the firm as a result of the VE assistance that you may not have captured in the earlier responses. Therefore, do not probe.

53. The VE fills a Project Completion Report at the end of his/her assignment. However, there are cases where recommendations are made during the VE's stay with the firm. Therefore, the recommendations solicited in Question 22 refer to the respondent's understanding of what recommendations were made by the VE either during or at the end of his/her assignment. Question 22(b) solicits information on whether the VE assessed the capabilities and constraints faced by the firm (e.g. managerial, financial, etc.) before developing his recommendations. However, you should not prompt as the response given might be defensive, i.e. if the firm did not implement the VE's recommendations, the respondent may answer in the negative to Question 22(b). For Question 22(c), probe on all the recommendations made by the VE, keeping in mind the firm's problems the VE assisted with stated in Question 9. When the respondent has finished reading the recommendations, ask: "Anything else?" If the respondent fails to cite recommendations pertaining to a particular problem area mentioned in Question 9, you can ask: "Were there any recommendations in respect of ...?) Question 22(e) may pose special problems if the VE assistance was received recently and/or the firm is still in the process of implementing the recommendations.

54. For each recommendation, ask for the degree of implementation and code the answers in Question 22(d). Remind the respondent that the responses will be on a scale of 1 to 7, and say what 1, 7, and 4 stands for, in that order. Question 22(e) solicits information on the extent to which the firm still maintains any targets, systems and processes, etc. that were recommended by the VE and implemented by the firm, using a scale of 1 to 7. The order of the itemized recommendations in 22(c) should be strictly followed in Questions 22(d), 22(e) and 22(f). For the recommendations which were fully implemented (i.e. with a score of 7 in Question 22(d)), do not ask Question 22(f).

55. Question 23 is supposed to measure (a) any change from assistance <u>requested</u> to the assistance <u>provided</u>, and (b) the extent to which the firm's capabilities in the stated operational areas improved as a result of the VE assistance. The operational areas specified are: **production** (quality control, more control over or reduction in production costs, new products formulated, increased capacity utilization, cheaper and/or better quality supplies and raw materials, other), **marketing** (more effective sales promotion, packaging, better pricing techniques, use of sales forecasts and

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budgets, other), **financial management** (improved financial and accounting systems, enhanced financial planning and control, improved debt-equity position, reduction in bad debts/sales ratio, other), **personnel management**, **business/strategic planning**, and **organization and methods** (management information systems, access to market trends, information on new products or business opportunities, other). Question 23(c) ranks the extent to which the firm's capabilities increased in the operational areas ticked in Question 23(b), using a scale of 1 to 7.

56. The response to Question 24(a) measures the extent to which the firm's problems were met, using a scale of 1 to 7. Question 24(b) should only be answered by those respondents who give a score of less than 7 to Question 24(a).

57. Question 25 solicits information on whether the time the VE spent with the counterpart(s) and other employees was sufficient, i.e. the respondent's opinion on whether the VE should have spent more or less time with the firm. Read out the codes to be used, specifying what 1, 7, and 4 stands for, in that order. Question 26 is general and the respondent should record the response given by the respondent. The problem areas could be in the IESC/Kenya program management, the VE, the firm, etc. but we are not limiting the responses. Do not prompt at all.

58. In Question 28, the follow-on advice must strictly refer to the same VE intervention and should not be confused with other IESC assistance (VE, ABLEs, JVS) the firm may have later received from IESC/Kenya. If the firm has never tried to obtain follow-on advice, do not ask Questions 28(b), 28(c), 28(d) and 28(e).

59. On the reasons why the firm decided to use IESC/Kenya services instead of other possible sources of assistance (Question 29(a)), the answers will probably fall within the following areas: degree of reliability, confidentiality, price/cost of IESC VE services, reputation and efficiency. However, do not prompt. Write down any details the respondent will give you. On the reasons why the firm did not use the services of local consultants if it was available (Question 29(c)), do not lead the respondent. In Question 29(c), the responses are likely to fall within the following major categories: fear of lack of confidentiality, perception of inferior service, higher costs, lack of objectivity/vested interests. However, do not prompt.

OVERALL IMPACT OF VE ASSISTANCE

60. The main purpose of this section is to assess the impact of assistance, both in quantitative and qualitative terms. The quantitative indicators are changes in employment (gender-disaggregated), total revenues, export revenues, and assets, between the baseline period and the latest period for which data are available. **The baseline data is for the date of the initial visit by the first VE assistance received during the USAID project, i.e. since June 1987.**

61. The persons engaged (employment) comprises all those reported to be working part-time or full-time in the establishment during the reference period. Included are wage employees (both regular and casual), self-employed proprietors and unpaid

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family workers. It should be specified that employees include owner(s) if (s)he works in the business.

62. Total revenues or receipts are all products and services sold during the reference period including sales tax, excise duty, cess and any other indirect tax and excluding rebates/discount and duty drawback. The revenue may arise from sales, fees, commissions, interest earned (e.g. for deposit-taking institutions) or other services rendered. Assets includes business premises (if the business premises were owner-occupied), business stocks, other fixed assets (machinery and equipment), and any other properties owned by the business. Business stocks refer to (a) raw materials, components, fuels, supplies, (b) works in progress, finished goods, and (c) goods purchased for resale. You can tell the respondent that the data on total assets includes owner-occupied business premises, business stocks and machinery and equipment, but the answer to be recorded in the questionnaire does not have to be disaggregated into those categories. Probe whether any changes in assets are due to revaluation/depreciation or purchase/sale of new assets.

63. Since employment and assets are stock variables, i.e. do not have a time dimension, the baseline reference period in Question 31 is "the time of the initial VE visit or the nearest date prior to that visit for which records are complete". However, for revenues, the reference period is "the most recently completed 12 month period prior to the initial VE visit for which records are complete". In Question 32, the reference period for employment and assets is "now or for the most recent date for which records are complete". For total revenues and export sales, the reference period in Question 32 is "for the most recently completed 12 month period prior to now for which records are complete". Please take note of these definitions in your questionnaire.

64. Question 33 refers to increase in, say, physical output. This question might give you special problems for firms in the service sector and those that produce multiple-products. Therefore, take the response in whichever measure is relevant to the firm. Question 34 only relates to increase in investment (i.e. new investment) as a result of the VE assistance and therefore does not duplicate Questions 31(d) and 32(d).

65. Question 35(a) refers to the cash payment by the firm for the VE assistance provided to the firm. The fee to be entered on a single line is the total payment for one intervention, and not installments within the same intervention. Only ask about the second, third, intervention if the firm received VE assistance more than once since June 1987. Remember the cost of VE is given on a per-month basis in the questionnaire, while the VE may have spent less or more time with the firm.

MISCELLANEOUS

66. Question 36 is self-explanatory. Question 37(b) refers to the needs that the firm might require a VE to assist in. The other IESC services (Question 38) include ABLE projects and Joint Venture Services and any other informal assistance that may have been provided by IESC/Kenya (see section on Concepts and Definitions for details). You are expected to know in advance what these services entail and the potential benefits from each service. If the respondent asks you about these other IESC services at the end of the interview, tell him/her briefly what the services entail and politely refer him/her to the IESC offices if (s)he needs further details. You will be briefed on these IESC services by IESC/Kenya Country Director Mrs. Marianne Seekircher during your training. However, do not prompt the respondent. Some respondents may interpret Question 38 to refer to the other needs of the firm an IESC VE could assist in (which is already covered under Question 37). Question 39(c) is intended to find out whether the other IESC assistance was useful. Question 39(d) asks the firm to state which of the various assistance received from IESC, including VEs, was most useful. Do not ask Questions 39(b) to 39(d) if the respondent answers "No" to Question 39(a).

67. The order of other organizations which have assisted the firm should be the same for all parts of Questions 40(b). On the negative impact of government policies and the general economic conditions on the firm, the enumerator should not lead the respondent. However, the responses might include (but are not limited to) the following categories: regulatory constraints and licensing, access and cost of finance, access and cost of foreign exchange, economic conditions, political stability, other. Do not prompt.

68. **FINAL INTERVIEW STATUS**

Completed	1
Partial	2
Business closed temporarily	3
Business under receivership/liquidation	4
Business wound-up	5
Refusal: resisted after repeated attempts	6
Out of scope: firm has not received VE assistance	7
Relevant personnel on leave	8
Relevant personnel no longer working with the firm	9
Other (specify)	10

TRAINING OF ENUMERATORS

69. Mrs. Marianne Seekircher (Country Director, IESC/Kenya) will cover the following areas: what IESC is and the respective responsibilities of IESC/Stamford and IESC/Kenya; history of IESC/Kenya; services provided (VE, ABLE, JVS) and their

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main features, supplemented with handouts; definitions and types of clients (Group, separate clients, etc.); and the processes in providing VE assistance.

70. Annamaria Watrin (IESC/Kenya Component Manager, Private Enterprise Office, USAID/Kenya) will talk on the following areas: the USAID/Kenya Private Enterprise Development (PED) project, its goals and how it goes about achieving the goals; place of IESC/Kenya in the PED project; purpose of the evaluation; importance of the survey; and the main features of the survey (qualitative and quantitative impact of assistance).

71. John Mukui will introduce the survey instruments (the Enumerators's Reference Manual and the Questionnaire) and go through the questionnaire, question by question. During the presentation and the ensuing question time, John Mukui will be assisted by Michael Julien (Team Leader) and Anne Inserra (Evaluation Officer, Private Enterprise Office, USAID/Kenya). Michael Julien will mainly provide training support on issues pertaining to institutional capacity and VE processes, while Anne Inserra will assist in questions relating to the sectoral classification of products and services, and quantitative impact of VE assistance (employment, revenue, assets).

72. Finally, Annamaria Watrin and Peter Kiguta (Research Assistant), will talk on the administrative aspects and the logistics of the survey during the field work.

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June 30, 1992

RE: Evaluation of IESC/KENYA

Dear Client:

USAID, which is the donor of IESC/Kenya, will be conducting an evaluation of the performance of IESC under our present grant agreement and your experience with us. The purpose is to assess the usefulness and effectiveness of IESC/Kenya. The responses you give to their questions will be treated with utmost confidentiality.

The evaluators plan to schedule interviews between July 7th and 13th, 1992. They would like to talk to the person in your organization best suited to give the information required, which will cover some of the following points:

> Number of employees and whether male or female.
>
> Has assistance supplied by IESC affected the performance of your business, i.e. has the quality of your product been improved, have employee skills been improved, have output and sales improved, have your assets increased?
>
> What improvements suggested by the Volunteer Executive have been implemented?
>
> What was your turnover for last year. If it has decreased, why?
>
> If applicable, have your foreign exchange earnings increased and by what percentage?

Please confirm with us the receipt of this letter.

The interviewer selected will call you to arrange a suitable appointment. The interviews will conducted under the general direction of John Mukui, the consultant who has been hired by USAID to carry out the survey of IESC/Kenya clients.

Your co-operation will be greatly appreciated.

Sincerely,

Marianne Seekircher
Country Director

IESC SURVEY QUESTIONNAIRE

CONTROL FORM

Questionnaire No. ____________

Interviewer ________________________________

Date of Interview ____________________

Final Interview Status _____________

Date for Second Interview _______________________

Time for Second Interview _____________ _____ _____

Person to Interview _______________________

Title of Person to Interview _______________________

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A. BASIC INFORMATION ON THE COMPANY

1) a) Name of Interviewee ______________________________

b) Position/Title in Company ________________________

2) Verification of Business Information:

a) Name of Business __________________________________

b) Business Address: P.O. Box ____________________

Town _________________________

c) Location (area, street, building, floor):_________

____

d) Telephone: Area Code ___________ Number______________

e) Date firm began operation: Month _________ Year______

f) How many times has the firm received the services of IESC Volunteer Executives (VEs)? (How many separate Volunteer Executive project interventions did the firm have?)

1 2 3 4

g) Date business signed the (first) agreement with IESC/Kenya for Volunteer Executive assistance:
(Only mention "first" if the firm has received more than one VE assistance project intervention. Apply this same principle to all later questions containing the word (first) in parentheses.)

Day _______ Month __________ Year _____

h) At that time, *(repeat date from 2(g))*, did any individuals have ownership in the firm?

(Alternatives: - did the ownership of the firm include any individuals?

- was the firm at least partly owned by individuals?)

Yes _____ No _____ Don't Know _____

i) If yes, were any of the individual owners women at that time?

Yes _____ No _____ Don't Know _____

j) At that time, *(repeat date from 2(g))*., was there any foreign ownership of the firm?

(Alternative: - was any part of the firm owned by a foreign corporation, foreign persons, or other foreign entities?)

Yes _____ No _____ Don't Know _____

k) If yes, approximately what percentage of the firm was foreign-owned at that time?

_________%

3) a) Please list the major products and/or services produced by the firm.

_________________________ _________________________

_________________________ _________________________

_________________________ _________________________

b) ***Enumerator should regroup the above into the sub-sector categories listed below, and say to the interviewee:***
"It seems that the major sub-sector(s) of activity for the firm is(are):

_________________________ _________________________

_________________________ _________________________."

c) ***If the firm is active in more than one sub-sector, the enumerator should say:***

"Would you please rank these sub-sectors in terms of the amount of revenues generated for the firm, with 1 being the sub-sector that accounts for the most revenues, 2 being the sub-sector that accounts for the next greatest amount of revenues, etc...")

c) *(continued)*

Sector/Sub Sector of Business Activity: Ranking

Agriculture
- Farm, plantation, ranch ....__________
- Horticulture....................................__________
- Fishing..__________

Construction
- Building, construction)..................__________

Mining and Quarrying
- Mining, quarrying............................__________

Manufacturing
- Building materials (e.g. cement) ....__________
- Chemical, petroleum, plastic products ....__________
- Food, beverages, tobacco.....................__________
- Handicrafts ....__________
- Leather products, footwear..................__________
- Metal products (fabricated metal products, machinery & equipment)..................__________
- Electric equipment..........................__________
- Paper products, printing, publishing.........__________
- Textiles, garments.......................__________
- Wood, wood products.....................__________
- Rubber products........................__________
- Clay, glass products.....................__________

Services
- Communications............................__________
- Finance, insurance, real estate...........__________
- Business, professional associations........__________
- Health, sanitation......................__________
- Education.................................__________
- Personal services (hair salons, etc.)......__________
- Repair (autos, shoes, etc.).............__________
- Tailoring................................__________
- Tourism..................................__________
- Transport, related support services......__________

Trade
- Restaurants, bars, lodging..................__________
- Retail, wholesale trade, including vending...__________

Other
- Other (specify)______________________________

4) How did the firm first hear about IESC/Kenya?

B: IMPACT OF SPECIFIC VOLUNTEER EXECUTIVE PROJECT INTERVENTIONS

(If the firm has received more than one IESC Volunteer Executive Project Intervention, say:

"The questions in the following section pertain to only one of the Volunteer Executive project interventions received by the firm. This section of the questionnaire will be repeated separately for each Volunteer Executive project intervention that was received by the firm."

Indicate which VE project intervention the following responses refer to:)

First _____ Second _____ Third _____ Fourth _____

5) a) *(Only ask this question of firms that were assisted as part of a group of firms within one IESC project intervention.)*

Did the firm receive IESC Volunteer Executive assistance as part of a group of firms that were all included in one agreement with IESC?

Yes _____ No _____ Don't Know _____

(If yes, continue with Questions 5 (b), (c), (d) and 6; skip 7 and 8; and then continue from 9 on.)

b) If yes, in what form was the Volunteer Executive assistance delivered to your firm? (It is possible to select more than one of the following.) *(Circle the items selected by the firm.)*

i) Volunteer Executive worked on an individual basis with your firm.

ii) Volunteer Executive worked with your firm in group sessions with other firms.

iii) Other (specify) ______________________

c) If the Volunteer Executive worked with your firm on an individual basis, how many days did the Volunteer work with your firm alone?

____

d) If the Volunteer Executive worked with your firm in group sessions with other firms, how many days of group assistance did your firm receive?

____

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6) Date business signed the agreement with IESC/Kenya for this Volunteer Executive:

(If this is the first or the only VE project intervention, do not ask the date. Enumerator should refer to the date that the business signed the (first) agreement with IESC/Kenya for VE assistance in Question 2(g), and repeat the date to the interviewee.)

Day _______ Month __________ Year _____

7) Date the Volunteer Executive started working with the firm:

(If this is the first or only VE project intervention, this date should be used as reference point for Question 30.)

Day _______ Month __________ Year _____

8) Date the Volunteer Executive finished working with the firm:

Day _______ Month __________ Year _____

9) What specific problem(s) did the Volunteer Executive assist the firm with?

____

____

____

____

____

10) Title(s) of company staff member(s) with whom the Volunteer Executive worked most closely:

____

____

11) a) Did the firm receive IESC assistance within a reasonable time after the agreement was signed with IESC?

Yes _____ No _____ Don't Know _____

19ab

b) If no, please explain.

____

____

(Introduce the scale type of question here. Say:*

"The next few questions involve a ranking scale of 1 to 7. Please select the most appropriate ranking number for each question."*)*

12) Please rank the Volunteer Executive's knowledge and skills in the area in which s/he was assisting the firm, using a scale of 1 to 7, (where 1= "Extremely Poor", 7= "Excellent", and 4= "OK").

1 Extremely Poor	2	3	4 OK	5	6	7 Excellent

13) Please rank the Volunteer Executive's ability to explain things, using the same scale of 1 to 7, (where 1= "Extremely Poor", 7= "Excellent", and 4= "OK").

1 Extremely Poor	2	3	4 OK	5	6	7 Excellent

14) Please rank the relations between the Volunteer Executive and the firm's employees, using a similar scale of 1 to 7, (where 1= "Extremely Bad", 7= "Excellent", and 4= "OK").

1 Extremely Bad	2	3	4 OK	5	6	7 Excellent

15) Please rank how closely the Volunteer Executive's skills matched the company's needs as specified in the agreement with IESC. Use a scale of 1 to 7, (where 1= "Extremely Poorly Matched", 7= "Extremely Well Matched", and 4 = "OK").

1	2	3	4	5	6	7
Extremely Poorly Matched			OK			Extremely Well Matched

16) Did the Volunteer Executive have an understanding of the conditions of the business environment of Kenya that was sufficient to do his/her job effectively?

(Alternative: - Did the Volunteer understand the local business conditions adequately enough to do his/her job effectively?

Yes _____ No _____ Don't Know _____

17) Has the quality of products and/or services improved as a result of the Volunteer Executive assistance?

Yes _____ No _____

Other (specify) ____

18) a) Has the firm introduced any new products and/or services as a result of Volunteer Executive assistance?

Yes _____ No _____

Other (specify) ____

b) If yes, what are the new products and/or services?

____

____

____

v0.0

19) a) Which of the following types of new technologies, if any, has the firm acquired as a result of Volunteer Executive assistance? ***(Circle the appropriate answer(s).)***

i) new plant/equipment/other tangible things

ii) new information/processes/practices

b) Which of the following mechanisms was used by the firm to acquire the new technology?

i) the firm purchased the new technology

ii) the firm entered into a production-under-license agreement

iii) the firm entered into a marketing-under-license agreement

iv) the firm undertook a joint venture

v) the firm acquired the technology directly from the Volunteer Executive

vi) the firm acquired access to the technology through another mechanism (please specify)

____

20) a) Did any of the staff (including the management) gain any new skills as a result of the Volunteer Executive assistance?

Yes _____ No _____ Don't Know _____

b) If no, why not?

____

____

____

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c) If yes, what new skills were gained and by whom (please provide only titles of staff members concerned)?

Title of Staff Member	Skill Gained
______________________	______________________
______________________	______________________

d) Of the staff members who gained new skills from the Volunteer Executive, how many of these staff members are still working for the firm?

______________________ (number or percent)

e) Regarding the staff members who gained new skills from the Volunteer Executive but who are no longer working for the firm, please rank the extent to which the firm has retained the skills/knowledge that were gained from the Volunteer Executive. The scale is 1 to 7, (where 1= "Not At All", 7= "To A Very Great Extent", and 4= "To A Moderate Extent").

1	2	3	4	5	6	7
Not At All			To A Moderate Extent			To A Very Great Extent

21) a) Did the business make any other changes or introduce anything else new as a result of the VE assistance?

Yes _____ No _____ Don't Know _____

b) If yes, what changes or new things were introduced?

____

____

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22) a) Did the Volunteer Executive make recommendations for the firm during or at the end of his/her assignment?

(Alternative: - regarding things that the firm was supposed to implement?)

Yes _____ No _____ Don't Know _____

b) If yes, did the Volunteer Executive attempt to make an assessment of the firm's strengths and limitations in the particular area(s) concerned before developing these recommendations?

Yes _____ No _____ Don't Know _____

c) If the Volunteer Executive made recommendations for the firm, what were the recommendations?

Rec. i) ______________________________

Rec. ii) ______________________________

Rec. iii) ______________________________

Rec. iv) ______________________________

Rec. v) ______________________________

Rec. vi) ______________________________

Rec. vii) ______________________________

Rec. viii) ______________________________

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d) Please take each recommendation separately and for each one rank the extent to which it has been implemented or carried out by the firm. The scale is 1 to 7, (where 1= "Not At All", 7= "Fully", and 4= "To A Moderate Extent").

1 Not At All	2	3	4 To A Moderate Extent	5	6	7 To A Very Great Extent

(Ask this question for each separate recommendation that was mentioned by the interviewee, and fill in the numbers in the appropriate spaces below.)

Recommendation i) ____ Recommendation v) ____

Recommendation ii) ____ Recommendation vi) ____

Recommendation iii) ____ Recommendation vii) ____

Recommendation iv) ____ Recommendation viii) ____

e) Please take each recommendation separately and rank the extent to which any changes in the firm that were introduced as a result of the recommendations have been maintained by the firm. The scale of 1 to 7 is the same as above, (where 1= "Not At All", 7= "Fully", and 4= "To A Moderate Extent").

1 Not At All	2	3	4 To A Moderate Extent	5	6	7 To A Very Great Extent

(Ask this question for each separate recommendation that was mentioned by the interviewee, and fill in the numbers in the appropriate spaces below.)

Recommendation i) ____ Recommendation v) ____

Recommendation ii) ____ Recommendation vi) ____

Recommendation iii) ____ Recommendation vii) ____

Recommendation iv) ____ Recommendation viii) ____

f) If recommendations were not fully implemented or carried out by the firm, why not?

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(Ask this question for each separate recommendation that was not fully implemented, eg. that got less than a 7 on the ranking scale in 22(d).)

Rec. i) ______________________________

Rec. ii) ______________________________

Rec. iii) ______________________________

Rec. iv) ______________________________

Rec. v) ______________________________

Rec. vi) ______________________________

Rec. vii) ______________________________

Rec. viii) ______________________________

23) a) Was the Volunteer Executive requested to provide assistance to the firm in the following operational areas?

	Yes	No	Don't Know
i) Production	____	____	________
ii) Marketing	____	____	________
iii) Financial Management	____	____	________
iv) Personnel Management	____	____	________
v) Business/Strategic Planning	____	____	________
vi) Organizational Management	____	____	________

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b) Did the Volunteer Executive actually provide assistance to the firm in the following operational areas?

	Yes	No	Don't Know
i) Production	____	____	________
ii) Marketing	____	____	________
iii) Financial Management	____	____	________
iv) Personnel Management	____	____	________
v) Business/Strategic Planning	____	____	________
vi) Organizational Management	____	____	________

c) For each area in which the Volunteer actually provided assistance as indicated in (b) above, please rank the extent to which the firm's capabilities improved as a result of the Volunteer Executive assistance. The scale is 1 to 7, (where 1 = "Not At All", 7 = "To A Very Great Extent", and 4 = "To A Moderate Extent").

1	2	3	4	5	6	7
Not At All			To A Moderate Extent			To A Very Great Extent

(Ask this question for each operational area in which the VE actually provided assistance, and fill in the numbers in the appropriate spaces below.)

i) Production ____

ii) Marketing ____

iii) Financial Management ____

iv) Personnel Management ____

v) Business/Strategic Planning ____

vi) Organizational Management ____

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24) a) Please rank the extent to which the Volunteer Executive fulfilled the expectations for his/her work that were stated in the IESC agreement. The scale is 1 to 7, (where 1= "Not At All", 7= "Fully", and 4= "To A Moderate Extent").

1	2	3	4	5	6	7
Not At All			To A Moderate Extent			To A Very Great Extent

b) If the Volunteer Executive did not fully meet the expectations for his/her work, please explain why not.
(Ask this question if the ranking in 24(a) was less than 7.)

____

____

____

25) On a scale of 1-7, please rank the length of time of the Volunteer Executive assistance provided. (1= "Much Too Short", 7= "Much Too Long", and 4= "Just Right".)

(Alternative: - rank the amount of the assistance provided by the Volunteer in terms of the length of time involved.)

1	2	3	4	5	6	7
Much Too Short			Just Right			Much Too Long

26) Please describe any problems having to do with the IESC Volunteer Executive assistance that were perceived by the firm.

(Alternative: - Please describe any problems that were encountered with the IESC Volunteer assistance.

____

____

____

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27) In your opinion, how useful was the Volunteer Executive assistance overall to the firm?

1 Not At All	2	3	4 To A Moderate Extent	5	6	7 To A Very Great Extent

28) a) Did the firm ever try to obtain any follow-on advice after the VE completed the assignment?

Yes _____ No _____ Don't Know _____

b) If yes, what type of follow-on advice did the firm attempt to obtain?

____

____

____

c) If the firm tried to obtain follow-on advice, how did the firm try to obtain the follow-on advice? (It is possible to select more than one of the following.)

i) Directly from the VE _____
ii) Through IESC Kenya _____
iii) Other (please specify) ______________________

____

d) Was the firm successful in attempting to obtain the follow-on advice?

Yes _____ No _____ Don't Know _____

e) If the firm was not successful in obtaining the follow-on advice, why not?

____

____

____

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29) a) Why did the firm decide to use IESC Volunteer Executive assistance services instead of other possible sources of assistance?

____

____

____

b) Was the kind of consultancy assistance provided by the Volunteer Executive available within Kenya?

Yes _____ No _____ Don't Know _____

c) If yes, why did the firm not use the consultancy services that were available in Kenya?

____

____

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C. OVERALL IMPACT OF VE ASSISTANCE

(If the firm received more than one IESC VE project intervention, say:

"This section of the questionnaire does not refer to only one of the IESC Volunteer Executive project interventions, but to the Volunteer Executive assistance overall."*)*

30) Date of initial visit by the (first) VE:

Month __________ Year _______

(Do not ask. Enumerator should refer to the date for the first or only VE intervention in Question 7, and repeat date to the interviewee.)

31) Please provide the following information on your company **at that time,** (*repeat date from Question 30*):

a) **Total Number of Employees** at the time of the initial VE visit or for the nearest date prior to that visit for which records are complete:

	Male	Female
Date: _______________	______	______

(* The number of employees should include the owner(s) if s/he(they) work in the business.)

b) **Total Revenues** for the most recently completed 12 month period prior to the initial VE visit for which records are complete:

	Month/Year		Month/Year
Year Period:	__________	to	__________

Revenues for the Year: Ksh. _______________

c) **Total Revenues from Export Sales** for the most recently completed 12 month period prior to the initial VE visit for which records are complete:
(The 12 month period should be the same for (b) and (c) if possible. If the firm had no exports, put 0.)

	Month/Year		Month/Year
Year Period:	__________	to	__________

Revenues for the Year: Ksh. _______________

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d) **Total Assets** at the time of the initial visit or for the nearest date prior to that visit for which records are complete:

(*Assets should include: buildings owned by the firm, other fixed assets such as machinery and equipment, and business stocks at hand.)

Date: ____________________

Ksh. ____________________

32) Please provide the following information on your company **now:**

a) **Total Number of Employees** now or for the most recent date for which records are complete:

	Male	Female
Date: _______________	______	______

b) **Total Revenues** for the most recently completed 12 month period prior to now for which records are complete:

	Month/Year		Month/Year
Year Period:	__________	to	__________

Revenues for the Year: Ksh. _______________

c) **Total Revenues from Export Sales** for the most recently completed 12 month period prior to now for which records are complete:

	Month/Year		Month/Year
Year Period:	__________	to	__________

Revenues for the Year: Ksh. _______________.

d) **Total Assets** now or for the most recent date for which records are complete:

Date: __________________

Ksh. __________________

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33) a) Has the firm increased the volume of total production and/or services since the (first) Volunteer Executive started working with the firm, in ***(repeat date from Question 30)***?

Yes _____ No _____

Other (specify) ______________________________

b) If yes, did any of the IESC Volunteer Executive assistance help the firm to increase the volume of total production and/or services?

Yes _____ No _____

Other (specify) ______________________________

34) a) Has the firm's investment increased since the (first) Volunteer Executive started working with the firm, in ***(repeat date from Question 30)***?

(Alternative: - Has there been additional or new investment?)

Yes _____ No _____

Other (specify) ______________________________

b) If yes, did any of the IESC Volunteer Executive assistance help to increase investment in the firm?

Yes _____ No _____

Other (specify) ______________________________

35) a) How much did the firm pay for the VE assistance?

First VE Intervention: $ or Ksh. ______________

Second VE Intervention: $ or Ksh. ______________

Third VE Intervention: $ or Ksh. ______________

Fourth VE Intervention: $ or Ksh. ______________

(Only ask about the second, third and/or fourth project interventions if the firm received them.)

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b) It is estimated that in 1991 the average total cost of providing a month of Volunteer Executive assistance was approximately $14,500 or 394,000 Kenya Shillings. Approximately what percentage of this amount do you think the firm would be willing to pay per month for possible future IESC Volunteer Executive assistance?

____________________ %

D. Miscellaneous

36) If the firm received IESC assistance in more than one Volunteer Executive project, which Volunteer Executive project was the most useful for the firm?

(Do not ask this question if the firm has not received IESC VE assistance more than once.)

First _____ Second _____ Third _____ Fourth _____

37) a) Is the firm interested in trying to get more IESC Volunteer Executive assistance?

Yes _____ No _____ Don't Know _____

b) If yes, in what area(s)?

____

____

____

c) If no, why not?

____

____

____

38) a) Is the firm aware of any other services IESC provides other than those provided by Volunteer Executives?

Yes _____ No _____

b) If yes, please name them.

____

____

39) a) Has the firm received any other form of assistance from IESC/Kenya besides Volunteer Executive assistance?

Yes _____ No _____ Don't Know _____

b) If yes, please describe the other assistance:

i) ____

ii) ____

iii) ____

c) If any other form of IESC assistance was received, was the other assistance useful?

(Ask for each type of other assistance if more than one.)

	Yes	No	Don't Know
i)	________	________	________
ii)	________	________	________
iii)	________	________	________

d) If any other form of IESC assistance was received, which type of assistance was most useful for the firm (including the Volunteer Executive assistance)?

____

40) a) Has the firm received any other assistance from other organizations besides IESC, whether Kenyan or foreign?

Yes _____ No _____ Don't Know _____

b) If yes, please provide the following information for each type of non-IESC assistance received.

	Year	Organization Providing Services	Description of Services
i)	____	____________________	________________________
ii)	____	____________________	________________________
iii)	____	____________________	________________________

Was the assistance more or less useful to the firm than IESC assistance?

	Cost to Firm	More Useful Than IESC	Less Useful Than IESC	Don't Know
i)	________	________	________	________
ii)	________	________	________	________
iii)	________	________	________	________

41) a) Have any factors in the Kenyan economy and/or policy and regulatory environment had a significant negative impact on the firm's performance since the (first) IESC Volunteer Executive assistance was received?

Yes _____ No _____ Don't Know _____

b) If yes, please explain what the factors have been and how they have negatively affected the firm's performance.

____

____

____

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MEMORANDUM

TO: John Mukui
Survey/Data Specialist
IESC Evaluation

FROM: Annamaria Watrin
IESC Component Manager

SUBJ: Reasons for IESC-Assisted Firms being Excluded from the Evaluation Survey

DATE: July 31, 1992

USAID/Kenya decided to exclude certain firms/organizations assisted by IESC/Kenya during the period of June 18, 1987 and May 31, 1992 from the survey which you were responsible for conducting. This was primarily due to the fact that the survey was to include only those firms/organizations that received subsidized assistance under the PED grant. IESC had assisted some firms during the period of the PED grant that did not receive PED funding.

In addition, a few firms/organizations were excluded because USAID/Kenya had made a special request to IESC to provide assistance that was outside the scope of the grant criteria even though the assistance was subsidized under the PED grant. USAID had initiated these activities and waived IESC's responsibility to work within the scope of the grant's eligibility criteria. Consequently, it was felt that IESC/Kenya could not be evaluated using the same criteria to measure conformance with the grant objectives for these consultancies as for the others, since permission was given to IESC to work outside the grant's scope.

Finally, a few projects were excluded because the survey was designed to be a limited scope survey focused on firms/organizations that received individualized, on-site assistance from IESC in Kenya. Projects that did not involve on-site consultancies or that were outside Kenya were thus not included in the survey even though they were subsidized with PED grant funds.

Attached is a list of firms served by IESC between June 18, 1987 and May 31, 1992 not included in the survey. Reasons for their exclusion is also given.

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FIRMS EXCLUDED FROM THE IESC EVALUATION SURVEY AND REASONS FOR THEIR EXCLUSION

Firms/Organization Not Subsidized by PED Grant		Reasons Not Subsidized
18250	Turbo Spring Park Hotel	Funded under RPE Project
17507	Sambu & Sons	"
18241	Bedi Investment Ltd.	"
18242	Bedi Investment Ltd.	"
18243	Bedi Investment Ltd.	"
19467	Claymore International Ltd.	"
19079	Kenya Rural Enterprises Project	"
16515	Envelope Manufacturers Ltd.	USAID Disapproved PED Subsidy Due to Insufficient Client Contribution
	Kamco Engineering Ltd.	"
16631	Kenya United Steel	"
16311	Mayfair Bakeries	"
16953	National Pencil Co. Ltd.	"
16246	News Publishers	"
	Simba Colt Ltd.	"
16849	Freight Forwarders (K) Ltd.	"
16102	Kassim Lakha Nganga Assoc. Ltd.	"
18776	Kentur Group	"
A0873	Nasko Ltd.	"
16849	Emco Glass Works	USAID Disapproved PED Subsidy Due to Consultancy Falling Outside Scope of Grant
17447	Panafrican Paper Mills	"
17446	Panafrican Paper Mills	"
16626	Pandya Memorial Hospital	"
19407	Belfast Millers Ltd.	"
20155	Cabroworks Ltd.	"
18605	Information Processing Systems	"
17946	Kentainers Ltd.	"
	Kenya Glass Works	"

Firms/Organizations Subsidized By PED Grant, But Excluded From The Survey		Reasons Excluded
		USAID/Kenya Requested IESC To Work Outside the Scope of the Grant
18312	Nairobi City Commission	
18313	Nairobi City Commission	"
18314	Nairobi City Commission	"
19607	Kenya-U.S. Assn (KUSA)	"
		USAID/Kenya Requested IESC To Provide A Consultancy Less Than One Week in Length
19970	Agri-Energy Roundtable	"
19888	AMREF	"
19711	Kenya Assn of Manufacturers	"
18813	Fresh Produce Exporters Assn of Kenya	"
18835	Fresh Produce Exporters Assn of Kenya	"
19718	Kenya Ntl Chamber of Commerce	"
19712	WEREP Ltd.	"
		The Consultancy was Provided Outside Kenya and Outside the Scope of the Survey
16184	Bodco Limited Seychelles	"
		No On-Site, Individualized Consulting was Provided; Thus the Consultancy was Outside the Scope of the Survey
21295	Corporate Motors	"
21295	Nairobi Motors	"
21295	Nyeri Motor Service	"
21295	Thika Motor Dealers	"

THE INITIAL TARGET POPULATION FOR THE IESC SURVEY

NUMBER	FIRM	YEAR COMPLETED	TYPE OF PROJECT
19042	PREMIER FOOD INDUSTRIES	1990	COMMERCIAL
19308	VEGPRO (K) LIMITED	1990	COMMERCIAL
18494	STEEL TUBES LTD.	1990	COMMERCIAL
15658	EBRAHIM & CO. LTD.	1987	COMMERCIAL
18733	COMPUTECH CONSULTING SERVICE	1990	COMMERCIAL
16453	KNOCKDOWN FURNITURE INDUSTRIES	1988	COMMERCIAL
18938	HILL PRODUCTS (K) LIMITED	1990	COMMERCIAL
16586	NORKAN INVESTMENTS LIMITED	1988	COMMERCIAL
18777	HOUSE OF MANJI LTD.	1990	COMMERCIAL
16706	COAST CABLES SERVICES LTD.	1988	COMMERCIAL
18807	JUBILEE INSURANCE CO. LIMITED	1990	COMMERCIAL
16763	SPECIALISED TOWELS MANUFACTURERS	1988	COMMERCIAL
18495	DYER & BLAIR LTD.	1990	COMMERCIAL
17248	RAKI INVESTMENT CO. LTD.	1988	COMMERCIAL
15261	THABITI FINANCE CO. LIMITED	1987	COMMERCIAL
16931	KENYA JOJOBA INDUSTRIES LTD.	1989	COMMERCIAL
19188	TRADE BANK LIMITED	1990	COMMERCIAL
16516	ENVELOPE MAN. LTD.	1988	COMMERCIAL
21295	KABURU OKELO & PARTNERS	1992	COMMERCIAL
16096	NATIONAL PENCIL CO. LIMITED	1988	COMMERCIAL
16726	KENYA LITHO LTD.	1988	COMMERCIAL
17674	OMBI RUBBER	1989	COMMERCIAL
16970	NGOMENI BEACH SAFARIS LTD.	1988	COMMERCIAL
17786	ACCESS ADVERTISING LIMITED	1989	COMMERCIAL
17357	KENTAINERS LTD.	1988	COMMERCIAL
17806	MAREBA ENTERPRISES LIMITED	1989	COMMERCIAL
16342	MINI BAKERIES	1988	COMMERCIAL
17647	NAIROBI HOMES LTD.	1989	COMMERCIAL
17356	SCHOOL OF PROFESSIONAL STUDIES	1988	COMMERCIAL
22167	STARPOINT CAFE & RESTAURANT	1992	COMMERCIAL
19347	EX-KEN LIMITED	1990	COMMERCIAL
17915	AROMA CHEMICALS LIMITED	1989	COMMERCIAL
19828	MERCHANT CARD LTD.	1990	COMMERCIAL
17918	KISII MATERNITY & NURSING HOME	1989	COMMERCIAL
16234	TALIB SHEIKH	1988	COMMERCIAL
17994	KARIOBANGI NORTH FAMILY PLANNING & MHOME	1989	COMMERCIAL
21193	FURNITURE MASTER LIMITED	1992	COMMERCIAL
18289	JUMLA TRADE LINKS LIMITED	1989	COMMERCIAL
21127	VACU-LUG RUBBER INDUSTRIES LTD.	1992	COMMERCIAL
18018	TRANS-NATIONAL BANK LIMITED	1989	COMMERCIAL
18451	KAM INDUSTRIES LTD.	1991	COMMERCIAL
18411	KENYA AGROVET & HEALTH CO-OP SOCIETY LTD	1989	COMMERCIAL
18940	DEACONS (K) LTD.	1991	COMMERCIAL
18183	WARIDI LIMITED	1989	COMMERCIAL
19750	STANDARD CHARTERED INVESTMENTS SERVICES	1991	COMMERCIAL
18412	EASTERN ENGINEERING WORKS LTD.	1989	COMMERCIAL
19949	SUNTREK TOURS & TRAVEL	1991	COMMERCIAL
16498	MOHANSONS LTD.	1990	COMMERCIAL
21126	VENUS INDUSTRIES	1992	COMMERCIAL
18538	SMEX AD PRODUCTION LIMITED	1990	COMMERCIAL
20015	RUKINGA RANCHING CO. LIMITED	1991	COMMERCIAL
18939	CARTON MANUFACTURING LTD.	1990	COMMERCIAL
19973	EXPRESS KENYA LTD.	1992	COMMERCIAL
21638	KENTROUT (1972)	1992	COMMERCIAL
20068	ALUMINIUM EXTRUDERS WORKS LTD.	1991	COMMERCIAL
16452	PROFESSIONAL TRAINING CONSULTANTS	1988	COMMERCIAL
20153	THIKA RUBBER INDUSTRIES LTD.	1991	COMMERCIAL
17862	NDEGE MILLERS LTD.	1989	COMMERCIAL
20154	HEMS INTERNATIONAL LTD.	1991	COMMERCIAL
15659	AUTO SPRING MANUFACTURES LTD.	1987	COMMERCIAL

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20223	NDUME LIMITED .	1991	COMMERCIAL
18199	BUSINESS ECONOMIC RESEARCH CO. LIMITED	1989	COMMERCIAL
20370	PLASTIC & RUBBER	1991	COMMERCIAL
17358	AFROLITE INDUSTRIES LIMITED	1989	COMMERCIAL
20494	KEGA FASHIONS (K) LIMITED	1991	COMMERCIAL
18240	DINERS CLUB AFRICA LIMITED	1989	COMMERCIAL
20395	THREE STEERS BAR & HOTEL LIMITED	1991	COMMERCIAL
18184	KENYA EQUITY CAPITAL LIMITED	1989	COMMERCIAL
20628	ELDEMA KENYA LIMITED	1991	COMMERCIAL
18775	SUNCOURT INN	1990	COMMERCIAL
20629	WACHIRA IRUNGU & ASSOCIATES	1991	COMMERCIAL
18908	KENYA HORTICULTURAL EXP. LIMITED	1990	COMMERCIAL
20657	SEMBHI ENTERPRISES	1991	COMMERCIAL
17466	CITY RADIATORS LTD.	1989	COMMERCIAL
20810	PRUDENTIAL PRINTERS LIMITED	1991	COMMERCIAL
17871	MECOLITE LIMITED	1989	COMMERCIAL
16922	SILVERSAND INVESTMENT	1988	COMMERCIAL
18034	AGRIPROJECTS & CHEMICAL CONSULTANTS LTD.	1989	COMMERCIAL
21125	MICROPOWER INTER. LIMITED	1991	COMMERCIAL
18316	SUN MANYATTA LTD.	1989	COMMERCIAL
18569	PRINT INK INTERNATIONAL	1990	COMMERCIAL
15989	FREIGHT FORWARDERS (K) LIMITED	1987	COMMERCIAL
16181	ORCHARDSON ADVERTISING LIMITED	1987	COMMERCIAL
18021	FINE GARMENTS (K) LIMITED	1989	COMMERCIAL
16300	IMPERIAL HOTEL, KISUMU	1987	COMMERCIAL
18731	RASHID MOLEDINA & CO. LIMITED	1990	COMMERCIAL
21658	SERENGETI CANNERS LIMITED	1992	COMMERCIAL
17417	MIDDLE AFRICA FINANCE CO. LTD.	1989	COMMERCIAL
16050	NOVA CHEMICALS LIMITED	1987	COMMERCIAL
18017	TRAVEL SCENE SERVICES	1992	GROUP
21295	GENERAL MOTORS KENYA	1992	GROUP
18017	MANEATERS RESTAURANT	1989	GROUP
18017	COOL INN	1989	GROUP
18017	KARAIGUA BAR & RESTAURANT	1989	GROUP
18017	HOGGERS RESTAURANT LTD.	1989	GROUP
18017	FALCON CREST HOTEL	1989	GROUP
18017	CLAY GARDENS INN	1989	GROUP
19967	CAPITAL MARKETS AUTHORITY	1991	PSDI[38]
16651	REHABILITATION ADVISORY SERVICES LTD.	1988	PSDI
15342	KENYA MANAGEMENT ASSISTANCE PROGRAM	1987	PSDI
16244	KENYA NATIONAL CHAMBER OF COMMERCE	1988	PSDI
19971	KENYA NATIONAL CHAMBER OF COMMERCE	1990	REPEAT
17954	REHABILITATION ADVISORY SERVICES	1989	REPEAT
21265	RUKINGA RANCHING CO. LIMITED	1992	REPEAT
18019	TRANS-NATIONAL BANK LIMITED	1989	REPEAT
16638	KENYA NATIONAL CHAMBER OF COMMERCE	1988	REPEAT
17992	NATIONAL PENCIL CO. LIMITED	1989	REPEAT
15876	THABITI FINANCE CO. ORGANIZATION	1987	REPEAT
17638	SILVERSAND INVESTMENT	1989	REPEAT
21035	KENYA JOJOBA INDUSTRIES LTD.	1991	REPEAT
17639	SILVERSAND INVESTMENT	1989	REPEAT
18315	SUN MANYATTA LTD.	1990	REPEAT
16369	EBRAHIM & CO. LTD.	1988	REPEAT
21184	RUKINGA RANCHING CO. LIMITED	1991	REPEAT
17795	SILVERSAND INVESTMENT	1989	REPEAT
20016	KENYA JOJOBA INDUSTRIES LTD.	1991	REPEAT
17035	SPECIALISED TOWELS MANUFACTURERS	1988	REPEAT
21295	ASSOCIATED MOTORS (NAIROBI)	1992	SUPPLEMENTARY
21295	RAFIKI MOTORS	1992	SUPPLEMENTARY
21295	NYATI AUTO SALES	1992	SUPPLEMENTARY
21295	NYANDARUA MOTORS	1992	SUPPLEMENTARY
21295	SAMCON LTD.	1992	SUPPLEMENTARY
21295	RYCE MOTORS	1992	SUPPLEMENTARY

38. "PSDI" stands for Private Sector Development Institution.

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21295	MIRK GENERAL AGENCIES (NAIROBI)	1992	SUPPLEMENTARY
A1233	URBAN CAMOUFLAGE	1991	ABLE
A1207	WANJOHI EXPORTERS LIMITED	1991	ABLE
A1245	KENYA GYPSUM	1991	ABLE
A1194	FISHING PRIORITIES	1991	ABLE
A1238	MAANZONI LIMITED	1992	ABLE
A1285	JOANS CHEMICALS LIMITED	1992	ABLE
A0938	EVIKAR INTERNATIONAL LTD.	1991	ABLE
A1041	ELDEMA KENYA LIMITED	1991	ABLE

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QUESTIONNAIRE NUMBERING IN THE DATA DICTIONARY

FIRM	DATADICT NUMBER
HOUSE OF MANJI LTD.	1
TRADE BANK LIMITED	2
JUBILEE INSURANCE CO. LIMITED	3
NAIROBI HOMES LTD.	4
TALIB SHEIKH	5
ENVELOPE MAN. LTD.	6
AROMA CHEMICALS LIMITED	7
GENERAL MOTORS KENYA	8
THIKA RUBBER INDUSTRIES LTD.	9
KARIOBANGI NORTH FAMILY PLANNING & MHOME	10
SCHOOL OF PROFESSIONAL STUDIES	11
SERENGETI CANNERS LIMITED	12
EX-KEN LIMITED	13
SUN MANYATTA LTD.	14
CITY RADIATORS LTD.	15
NOVA CHEMICALS LIMITED	16
HILL PRODUCTS (K) LIMITED	17
EASTERN ENGINEERING WORKS LTD.	18
VENUS INDUSTRIES	19
PROFESSIONAL TRAINING CONSULTANTS	20
KENYA LITHO LTD./PRINTING, PACKAGING	21
SMEX AD PRODUCTION LIMITED	22
HEMS INTERNATIONAL LTD.	23
MICROPOWER INTER. LIMITED	24
KABURU OKELO & PARTNERS	25
KEGA FASHIONS (K) LIMITED	26
MAREBA ENTERPRISES LIMITED	27
COOL INN	28
MIRK GENERAL AGENCIES (NAIROBI)	29
KENYA HORTICULTURAL EXP. LIMITED	30
NATIONAL PENCIL CO. LIMITED	31
ELDEMA KENYA LIMITED	32
EXPRESS KENYA LTD.	33
RASHID MOLEDINA & CO. LIMITED	34
ORCHARDSON ADVERTISING LIMITED	35
COAST CABLES SERVICES LTD.	36
FALCON CREST HOTEL	37
PLASTIC & RUBBER	38
PRINT INK INTERNATIONAL	39
DYER & BLAIR LTD.	40
FINE GARMENTS (K) LIMITED	41
SPECIALISED TOWELS MANUFACTURERS	42
MOHANSONS LTD.	43
TRAVEL SCENE SERVICES	44
AUTO SPRING MANUFACTURES LTD.	45
FURNITURE MASTER LIMITED	46
EBRAHIM & CO. LTD.	47
VEGPRO (K) LIMITED	48
SUNTREK TOURS & TRAVEL	49
KAM INDUSTRIES LTD.	50
MANEATERS RESTAURANT	51
CARTON MANUFACTURING LTD.	52
PREMIER FOOD INDUSTRIES	53
SUNCOURT INN	54
STEEL TUBES LTD.	55
KENTROUT (1972)	56
ALUMINIUM EXTRUDERS WORKS LTD.	57
SILVERSAND INVESTMENT	58
KARAIGUA BAR & RESTAURANT	59
RAFIKI MOTORS	60

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DATA DICTIONARY FOR IESC SURVEY

Question Number	Code	Field Length	Value	Comments
	IESxxx	3		Questionnaire No.
	IESFIS	2	1	Completed: Final Interview Status
			2	Partial: Operational firms
			3	Business closed temporarily
			4	Business under receivership/liquidation
			5	Business not yet started
			6	Refusal
			7	Out of scope
			8	Relevant personnel on leave
			9	Relevant personnel no longer working
			10	Could not be located
1	IES01B	1	A	Directors/General Managers
			B	Production/Operations Department Managers
			C	Professionals
			D	Technicians and Production Supervisors
			E	Skilled Workers
			F	Semi-skilled and unskilled Workers
2	IES02B	2		Location: District and town codes
	IES02E	8	Date	Date firm began operation
	IES02F	1	1 to 4	Number of times VE services were received
	IES02G	8	Date	Date (1st) agreement signed
	IES02H	1	1	Yes (Ownership by individuals)
			2	No
			3	Don't know
	IES02I	1	1	Yes (Women among the owners)
			2	No
			3	Don't know
	IES02J	1	1	Yes (Foreign ownership)
			2	No
			3	Don't know
	IES02K	3	1 to 100	% of foreign ownership
	IES03C	3	1(101 to 103)	Agriculture
			101	"Farm, plantation, ranch"
			102	Horticulture
			103	Fishing
			2	Construction
			201	"Building, construction"
			3	Mining and quarrying
			301	"Mining, quarrying"
			4	Manufacturing
			401	Building materials (e.g cement)
			402	"Chemical, petroleum, plastic products"
			403	"Food, beverages, tobacco"
			404	Handicrafts
			405	"Leather products, footwear"
			406	"Metal products (machinery, fabricated metal prod.)"
			407	Electric equipment
			408	"Paper products, printing, publishing"
			409	"Textiles, garments"
			410	"Wood, wood products"
			411	Rubber products
			412	"Clay, glass products"
			5	Services
			501	Communications
			502	"Finance, insurance, real estate and business services"
			503	"Business, professional associations"
			504	"Health, sanitation"
			505	Education
			506	"Personal services (hair salons, etc.)"

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			507	"Repair (autos, shoes, etc.)"
			508	Tailoring
			509	Tourism
			510	"Transport, related support services"
			6	Trade
			601	"Restaurants, bars, lodging"
			602	"Retail, wholesale trade, including vending"
4	IES04	1	1	Newspapers
			2	IESC Direct marketing efforts
			3	IESC Client
			4	Other locally-based firm/NGO/individual
			5	Overseas firm
			6	Don't know
			7	Other (Specify)

First VE project intervention (coding : IES followed by A (1st intervention) and then by question number)

5	IESA05A	1	1	Yes: VE assistance in group of firms
			2	No
			3	Don't know
	IESA05B	1	1	Volunteer on individual basis with firm
			2	Volunteer in group sessions with firms
			3	Other (specify)
	IESA05C	2	1 to 99	Days volunteer worked on individual basis
	IESA05D	2	1 to 99	Days volunteer worked on group sessions
6	IESA06	8	Date	Date agreement signed for this VE
7	IESA07	8	Date	Date VE started working
8	IESA08	8	Date	Date VE finished working
9	IESA09	6	A	Production
			B	Marketing
			C	Financial Management
			D	Personnel Management
			E	Business/Strategic Planning
			F	Organizational Management
			G	None
			H	Other (specify)
10	IESA10	4	A	Directors/General Managers
			B	Production/Operations Department Managers
			C	Professionals
			D	Technicians and Production Supervisors
			E	Skilled Workers
			F	Semi-skilled and unskilled Workers
11	IESA11	1	1	Yes: Assistance received within reasonable time
			2	No
			3	Don't know
	IESA11B	1	A	Initial VE assigned elsewhere
			B	
12	IESA12	1	1 to 7	VE's knowledge and skills (rankings)
13	IESA13	1	1 to 7	VE's ability to explain (rankings)
14	IESA14	1	1 to 7	VE's relationship with firm's employees (rankings)
15	IESA15	1	1 to 7	VE's skills matched firm's specifications
16	IESA16	1	1	Yes: VE understood local business conditions
			2	No
			3	Don't know
17	IESA17	1	1	Yes: Improvements in quality due VE's assistance
			2	No
			3	Project shelved/abandoned

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			4	VE's proposals not yet implemented
			5	Other (specify)
18	IESA18A	1	1	Yes: New products/or services due VE's assistance)
			2	No
			3	Other (specify)
	IESA18B	3	101 to 602	Refer to IES03C
19	IESA19A	2	A	New plant/equipment/other tangible things
			B	New information/processes/practices
	IESA19B	3	A	Purchased new technology
			B	Entered into production-under-license agreement
			C	Entered into marketing-under-license agreement
			D	Undertook a joint venture
			E	Acquired technology directly from VE
			F	Other (specify)
20	IESA20A	1	1	Yes: staff gained new skills due VE's assistance
			2	No
			3	Don't know
	IESA20B	1	A	VE consultancy was a feasibility study
			B	VE's ideas too advanced/unsuitable to firm
			C	No new remedies suggested by VE
			D	VE only enhanced utilization of existing skills
	IESA20C	2	AA to ZZ	"(Title, skills) string variable"
	IESA20D	3	1 to 100	% of Staff who gained skills still working for the firm
	IESA20E	1	1 to 7	Retention of skills/knowledge gained from VE
21	IESA21	1	1	Yes: Anything else introduced due VE's assistance
			2	No
			3	Don't know
22	IESA22A	1	1	Yes: Did VE make any recommendations
			2	No
			3	Don't know
	IESA22B	1	1	Yes: Did VE make an assessment before
			2	No
			3	Don't know
	IESA22C	1	1 to 8	Number of VE's recommendations

(Note: Will not sort on type of recommendation)

	IESA22D1	1	1 TO 7	Extent to which recommendations have been implemented.
	IESA22D2	1		The Codes for Q22(d) will depend on the number of recommendations.
	IESA22D3	1		
	IESA22D4	1		
	IESA22D5	1		
	IESA22D6	1		
	IESA22D7	1		
	IESA22D8	1		
	IESA22E1	1	1 TO 7	Extent changes as per recs have been maintained.
	IESA22E2	1		The Codes for Q22(e) will depend on the number of recommendations.
	IESA22E3	1		
	IESA22E4	1		
	IESA22E5	1		
	IESA22E6	1		
	IESA22E7	1		
	IESA22E8	1		
	IESA22F1	1	A	Implementation in progress.
			B	Limitations in firm's capabilities: capital
			C	Limitations in firm's capabilities: personnel
			D	Project abandoned
			E	VE's recommendations unsuitable to firm
			F	VE's guidelines inadequate
			G	Foreign exchange constraint
			H	General economic conditions
	IESA22F2	1	A	Implementation in progress.
			B	Limitations in firm's capabilities: capital
			C	Limitations in firm's capabilities: personnel

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			D	Project abandoned
			E	VE's recommendations unsuitable to firm
			F	VE's guidelines inadequate
			G	Foreign exchange constraint
			H	General economic conditions
	IESA22F3	1	A	Implementation in progress.
			B	Limitations in firm's capabilities: capital
			C	Limitations in firm's capabilities: personnel
			D	Project abandoned
			E	VE's recommendations unsuitable to firm
			F	VE's guidelines inadequate
			G	Foreign exchange constraint
			H	General economic conditions
	IESA22F4	1	A	Implementation in progress.
			B	Limitations in firm's capabilities: capital
			C	Limitations in firm's capabilities: personnel
			D	Project abandoned
			E	VE's recommendations unsuitable to firm
			F	VE's guidelines inadequate
			G	Foreign exchange constraint
			H	General economic conditions
	IESA22F5	1	A	Implementation in progress.
			B	Limitations in firm's capabilities: capital
			C	Limitations in firm's capabilities: personnel
			D	Project abandoned
			E	VE's recommendations unsuitable to firm
			F	VE's guidelines inadequate
			G	Foreign exchange constraint
			H	General economic conditions
	IESA22F6	1	A	Implementation in progress.
			B	Limitations in firm's capabilities: capital
			C	Limitations in firm's capabilities: personnel
			D	Project abandoned
			E	VE's recommendations unsuitable to firm
			F	VE's guidelines inadequate
			G	Foreign exchange constraint
			H	General economic conditions
	IESA22F7	1	A	Implementation in progress.
			B	Limitations in firm's capabilities: capital
			C	Limitations in firm's capabilities: personnel
			D	Project abandoned
			E	VE's recommendations unsuitable to firm
			F	VE's guidelines inadequate
			G	Foreign exchange constraint
			H	General economic conditions
	IESA22F8	1	A	Implementation in progress.
			B	Limitations in firm's capabilities: capital
			C	Limitations in firm's capabilities: personnel
			D	Project abandoned
			E	VE's recommendations unsuitable to firm
			F	VE's guidelines inadequate
			G	Foreign exchange constraint
			H	General economic conditions
23	IESA23AA	1	1	Yes: VE asked assistance in production
			2	No
			3	Don't know
	IESA23AB	1	1	Yes: VE asked assistance in marketing
			2	No
			3	Don't know
	IESA23AC	1	1	Yes: VE asked assistance in financial management
			2	No
			3	Don't know
	IESA23AD	1	1	Yes: VE asked assistance in personnel management
			2	No
			3	Don't know
	IESA23AE	1	1	Yes: VE asked assistance in business/strategic planning
			2	No
			3	Don't know

	IESA23AF	1	1	Yes: VE asked assistance in organizational management
			2	No
			3	Don't know
	IESA23BA	1	1	Yes: VE provided assistance in production
			2	No
			3	Don't know
	IESA23BB	1	1	Yes: VE provided assistance in marketing
			2	No
			3	Don't know
	IESA23BC	1	1	Yes: VE provided assistance in financial management
			2	No
			3	Don't know
	IESA23BD	1	1	Yes: VE provided assistance in personnel management
			2	No
			3	Don't know
	IESA23BE	1	1	Yes: VE provided assistance in business/strategic planning
			2	No
			3	Don't know
	IESA23BF	1	1	Yes: VE provided assistance in organizational management
			2	No
			3	Don't know
	IESA23CA	1	1 to 7	Production
	IESA23CB	1	1 to 7	Marketing
	IESA23CC	1	1 to 7	Financial management
	IESA23CD	1	1 to 7	Personnel management
	IESA23CE	1	1 to 7	Business/strategic planning
	IESA23CF	1	1 to 7	Organizational management
24	IESA24A	1	1 to 7	Extent VE fulfilled the expectations (rankings)
	IESA24B	1	A	Lack of knowledge about local business conditions
			B	Length of time too short
			C	VE's background unsuitable to firm's specific needs
			D	VE's recommendations unworkable/far-fetched
			E	VE's recommendations not discussed with counterparts
			F	Lacked enthusiasm/energy
			G	Local counterpart fell ill
25	IESA25	1	1 to 7	Length of time VE provided assistance (rankings)
26	IESA26	1	1	None
			2	VE's limited knowledge of subject of assistance
			3	Rigidity in application of terms of Agreement
			4	Inappropriate VE/VE advice
			5	Delay in sending VE
			6	VE refused to work with low cadre staff
27	IESA27	1	1 to 7	Usefulness of VE assistance (rankings)
28	IESA28A	1	1	Yes: Follow-on assistance after VE completed
			2	No
			3	Don't know
	IESA28B	1	A	Sources/suitability of equipment/raw materials
			B	Possibility of future VE assistance
			C	Follow-up on implementation of recommendations
			D	General information on subject area of assistance
			E	Joint venture proposals/overseas contacts
			F	Other (specify)
	IESA28C	2	A	Follow-on: Direct from the VE
			B	Through IESC Kenya
			C	Other (specify)

Note: Field length is 2 because one can make more than one choice

	IESA28D	1	1	Yes: Firm obtained follow-on advice
			2	No
			3	Don't know
	IESA28E	1	A	Not allowed by IESC/Kenya to contact the VE
			B	IESC CD changed before contact with VE established

29	IESA29A	4	A	Reliability
			B	Confidentiality
			C	Price/Cost of IESC Services
			D	Reputation
			E	Efficiency
			F	Other (specify)
	IESA29B	1	1	Yes: Assistance provided by VE was locally available
			2	No
			3	Don't know
	IESA29C	4	A	Fear of lack of confidentiality
			B	Perception of inferior service
			C	Higher costs
			D	Lack of objectivity/vested interests
			E	Other (specify)
30	IES30	8	Date	Date refer to Question 7 (IES07)
31	IES31AD	8	Date	Date of initial visit
	IES31AM	4	Number	Males employed(M)
	IES31AF	4	Number	Females employed(F)
	IES31AT	4	Number	Total employed(T)
	IES31B	10	1 to 999m.	Kshs. Total Revenues
	IESB31BCPI	6	999.99	Cost of living index
	IES31BD1	8	Date	Year/month (Total revenues refer to)
	IES31BD2	8	Date	Year/month (Total revenues refer to)
	IES31C	10	1 to 999m.	Kshs. (Total Revenues from Export Sales refer to)
	IES31CD1	8	Date	Year/month (Total revenues from export sales refer to)
	IES31CD2	8	Date	Year/month(Total revenues from export sales refer to)
	IES31D	10	1 to 999m.	Kshs. Total Assets
	IESD31DCPI	6	999.99	Cost of living index
	IES31DD	8	Date	Date total assets refer to
32	IES32AM	4	Number	Males employed(M)(now)
	IES32AF	4	Number	Females employed(F)(now)
	IES32AT	4	Number	Total employed(T)(now)
	IES32AD	8	Date	now
	IES32B	10	1 to 999m.	Kshs. (Total Revenues (now))
	IES32BCPI	6	999.99	Cost of living index
	IES32BD1	8	Date	Year/month (Total revenues (now))
	IES32BD2	8	Date	Year/month (Total revenues (now))
	IES32C	10	1 to 999m.	Kshs. (Total Revenues from Export Sales (now))
	IES32CD1	8	Date	Year/month(Total revenues from export sales refer to(now))
	IES32CD2	8	Date	Year/month (Total revenues from export sales refer to(now))
	IES32D	10	1 to 999m.	Kshs. (Total Assets (now))
	IES32DCPI	6	999.99	Cost of living index
	IES32DD	8	Date	Date total assets now
33	IES33A	1	1	Yes: Firm increased production/services
			2	No
			3	Firm not yet operational
			4	Other (specify)
	IES33B	1	1	Yes: Assistance from VE helped
			2	No
			3	Other (specify)
34	IES34A	1	1	Yes: Firm increased investment
			2	No
			3	Other (specify)
	IES34B	1	1	Yes: Assistance from VE helped
			2	No
			3	Other (specify)
35	IES35A	6	1 To 100	Client fee as percentage of IESC costs
(A=Ist)	IESA35A	6	1 to 1m.	Payment for VE assistance
(B=2nd)	IESB35A	6	1 to 1m.	Payment for VE assistance
(C=3rd)	IESC35A	6	1 to 1m.	Payment for VE assistance

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(D=4th)	IESD35A	6	1 to 1m.	Payment for VE assistance
	IES35B	3	1 to 100	Per cent
36	IES36	1	A or B or C or D	Most useful IESC assistance
37	IES37A	1	1	Yes: Firm interested in VE assistance
			2	No
			3	Don't know
	IES37B	3	A	Production
			B	Marketing
			C	Financial Management
			D	Personnel Management
			E	Business/Strategic Planning
			F	Organizational Management
			G	Other (specify)
	IES37C	1	A	Can't afford
			B	VE feasibility study was not implemented
			C	Not interested
			D	Firm has not yet identified area for VE assistance
			E	Previous assistance below firm's expectations
			F	IESC VE assistance too expensive
38	IES38A	1	1	Yes: Firm aware of other IESC services
			2	No
	IES38B	2	A	ABLE Projects
			B	Joint Venture Services projects
			C	Other (specify)
39	IES39A	1	1	Yes: Firm received other assistance from IESC
			2	No
			3	Don't know
	IES39B	3	A	ABLE Projects
			B	Joint Venture Services projects
			C	Other (specify)
	IESA39C	1	1	Yes: Other form of assistance from IESC useful
			2	No
			3	Don't know
	IESB39C	1	1	Yes: Other form of assistance from IESC useful
			2	No
			3	Don't know
	IESC39C	1	1	Yes: Other form of assistance from IESC useful
			2	No
			3	Don't know
	IES39D	1	A	VE assistance
			B	ABLE Projects
			C	Joint Venture Services projects
40	IES40A	1	1	Yes: Assistance from other organizations
			2	No
			3	Don't know
	IES40B1	4	Year	Year non-IESC assistance received(Year (i) = 1)
	IES40B1A	1	1	Institution similar to IESC
			2	Parent company/overseas firm
			3	Donor/donor project
			4	Local firm/institution
	IES40B1B	1	A	Description of services: Production
			B	Marketing
			C	Financial Management
			D	Personnel Management
			E	Business/Strategic Planning
			F	Organizational Management
			G	Other (specify)
	IES40B1C	6	KShs.	Cost to firm
	IES40B1D	1	1	More useful than IESC (Year (i))
			2	Less useful than IESC
			3	Don't know
	IES40B2	4	Year	Year non-IESC assistance received (Year (ii) = 2)
	IES40B2A	1	1	Institution similar to IESC
			2	Parent company/overseas firm
			3	Donor/donor project
			4	Local firm/institution
	IES40B2B	1	A	Production

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			B	Marketing.
			C	Financial Management
			D	Personnel Management
			E	Business/Strategic Planning
			F	Organizational Management
			G	Other (specify)
	IES40B2C	6	KShs.	Cost to firm
	IES40B2D	1	1	More useful than IESC (Year (ii))
			2	Less useful than IESC
			3	Don't know
	IES40B3	4	Year	Year non-IESC assistance received (Year (iii) = 3)
	IES40B3A	1	1	Institution similar to IESC
			2	Parent company/overseas firm
			3	Donor/donor project
			4	Local firm/institution
	IES40B3B	1	A	Production
			B	Marketing
			C	Financial Management
			D	Personnel Management
			E	Business/Strategic Planning
			F	Organizational Management
			G	Other (specify)
	IES40B3C	6	KShs.	Cost to firm
	IES40B3D	1	1	More useful than IESC (Year (ii'))
			2	Less useful than IESC
			3	Don't know
41	IES41A	1	1	Yes: Negative factors experienced since VE assistance
			2	No
			3	Don't know
	IES41B	4	A	Regulatory constraints and licensing
			B	Access and cost of finance
			C	Access and cost of foreign exchange
			D	Political stability
			E	Corruption
			F	Inflation
			G	High taxation
			H	General economic conditions

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DISTRICT CODES[39]

PROVINCE	DISTRICT	CODE
Nairobi	Nairobi	11
Central	Kiambu	21
	Kirinyaga	22
	Muranga	23
	Nyandarua	24
	Nyeri	25
Coast	Kilifi	31
	Kwale	32
	Lamu	33
	Mombasa	34
	Taita	35
	Tana River	36
Eastern	Embu	41
	Isiolo	42
	Kitui	43
	Machakos	44
	Marsabit	45
	Meru	46
	Makueni	47
	Tharaka-Nithi	48
North Eastern	Garissa	51
	Mandera	52
	Wajir	53
Nyanza	Kisii	61
	Kisumu	62
	Siaya	63
	Homa Bay	64
	Migori	65
	Nyamira	66
Rift Valley	Kajiado	71
	Kericho	72
	Laikipia	73
	Nakuru	74
	Narok	75
	Trans Nzoia	76
	Uasin Gishu	77
	Bomet	78
Rift Valley	Baringo	81

39. Based on the codes used by the Central Bureau of Statistics, Ministry of Planning and National Development, Kenya. The codes have been expanded to include the newly-created districts.

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	Elgeyo Marakwet	82
	Nandi	83
	Samburu	84
	Turkana	85
	West Pokot	86
Western	Bungoma	91
	Busia	92
	Kakamega	93
	Vihiga	94