Mid-Term Evaluation of the Rural Enterprise Program of the Rural Private Enterprise Project (615-0220) Kenya

A Report Prepared for the
United States Agency for International Development Mission
in Nairobi, Kenya by

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EXECUTIVE SUMMARY

The Rural Enterprise Program (REP) has laid the groundwork for institutional growth of small and micro-enterprise development in Kenya for years to come. Evaluation of this A.I.D.-funded project (615-0220) gives good evidence that it is accomplishing its objectives so far. Links have been created with NGOs, government agencies, donors, commercial banks and other private sector firms; credit funds have been set up; and technical assistance and training programs of quality have been launched to help local intermediaries. This mid-term evaluation covers the period of inception of REP in the middle of 1984 through June 30, 1987.

The Rural Enterprise Program began with support from A.I.D. in 1984 and is now one of the most widely-recognized institutions promoting micro and small enterprise development in the country. Expected economic benefits are increased incomes, employment and productivity. The Program has worked with and through some 40 local non-governmental organizations (NGOs), providing training, technical assistance and credit resources that serve small and micro-business development in various areas of Kenya outside Nairobi and Mombasa. REP is now registered as a Kenyan company, WEREP, Ltd.

A table that follows in the text of this report summarizes REP progress against expectations set out in the 1984 Cooperative Agreement between World Education, Inc. (WEI) and the A.I.D. Mission in Nairobi. At the time of the evaluation, REP had funded fourteen sub-project intermediaries, with an additional six expected momentarily. Linkages were established with a large network of non-governmental organizations through Kenya. Specific agreements had been made with the fourteen sub-grantees for upgrading capabilities through the fourteen sub-projects, REP was directly serving over 4,500 entrepreneurs, of whom roughly half were women. There were also an estimated 19,400 indirect beneficiaries. By 1989, these figures are expected to double. A.I.D. funding has been approved through 1994, and REP is aggressively seeking other funding sources to sustain it.

<u>Credit</u>: As of June 1987 REP had approved sub-projects making available a little over $1,000,000 in loan funds to entrepreneurs through NGOs, ranging from the nationwide National Council of Churches of Kenya (NCCK) small enterprise program to a small group of tinsmiths in the western highlands. The credit portions of the sub-projects were just underway. Participating NGOs were providing loans to 76 groups and 707 individuals, with an average loan size of $1,277. Loans were largely uncollateralized and designed to provide

Summary of REP Progress
Against Cooperative Agreement Expectations
June 30, 1987

Standard	Cooperative Agreement Expectations	REP Progress at June 30, 1987
1. Serve as intermediary	Serve as an administrative and financial intermediary between AID and NGOs	Successfully underway in 14 Sub-projects
2. Link NGOs	Serve as a communication and coordinating entity among NGOs	Occurring with 20 local organizations and to a lesser degree with an additional 20, especially through training
3. Upgrade NGO capacities	Serve as a source of capabilities	Happening with 20 local intermediary organizations
4. Provide technical assistance to NGOs and entrepreneurs	Serve as a provider of technical assistance to both NGOs and client enterprises	Providing technical assistance to 20 local intermediary institutions and indirectly to 1052 client enterprise
5. Provide credit resources to NGOs	Serve as provider of credit capital to NGOs credit programs	Providing slightly more than $1,000,000 in credit capital to 12 NGOs for loans

Standard	Cooperative Agreement Expectation	REP Progress at June 30, 1987
6. Oversee credit management	Serve as a supervisor of NGO credit programs	Overseeing 12 NGO credit programs for group and individual entre-preneurs
7. Monitor small enterprise programs assisted	Serve as a monitoring and evaluation organization	Providing monitoring and evaluation of 20 projects (NGOs) in Kenya
8. Provide loans to individual and	Provided loans to 1350 individuals and group clients, averaging $1,200	Provided support for NGO loans to 76 groups and 707 individuals to date, averaging $1,277 each, helping 4,589 direct beneficiaries
9. Benefit individuals either directly or through groups	Benefit 21,500 individuals directly or through groups	Benefited 24,003 individuals including 19,414 indirectly and 4,589 directly
10. Create new jobs through credit programs	Create 1,000 new jobs through credit programs	Created about 2,000 new jobs through credit programs to date
11. Serve women clients	Serve a large proportion of women clients	About 50% of the clients served to date are women
12. Serve group clients	Serve a large proportion of group clients	Some 76 groups have received credit and 127 groups have received technical assistance to date

working capital. Since the loan portions of these sub-projects were only getting started, repayment rates were not yet know. REP is beginning to collect these data and expects nearly 100% from among the best managed groups it supports. As of June interest rates charged by intermediaries, except in one case, were at 14% -- the ceiling set by the Government of Kenya. Entrepreneurs were encouraged to deposit business earnings in banks.

Technical Assistance and Training: Non-financial assistance to local intermediary organizations is at the heart of the REP project. Two elements of the REP approach give it a special character: (a) carefully designed training programs are given to businessmen and women before credit resources are made available; and (b) REP helps sub-project applicants carefully research and identify product markets prior to REP funding approval. To date, REP has worked closely with some two dozen sub-project applicants on project design, market analysis, management and financial advice, credit management assistance, and various types of training for both institutional staff and entrepreneurs. Training workshops have been provided to 225 staff from 40 NGOs on project planning and development, NGO financial management and bookkeeping, credit and credit administration, marketing and feasibility analysis, project management and evaluation, how to be an effective trainer, extension work, and measuring cost effectiveness.

Institution Building: In Kenya as in other parts of Africa, institutional development of local NGOs is an important first step in promoting the growth of very small businesses. On the one hand the challenge is great because the vast majority of entrepreneurs assisted under REP are running new businesses; and NGOs and other institutions in rural Kenya often have limited experience in operating small enterprise programs. On the other, the demand for small business services continues to be high among business persons throughout Kenya; and NGOs are giving a much high priority to business development activities than in the past. REP recognizes that local institutions will need to be strengthened in order to effectively promote very small business development. It is committed to long-term support for the small and micro-enterprise sector in Kenya.

Contents of the Evaluation: This report contains five parts and several appendices. Chapter I is a brief introduction describing the REP context and the methodology used in the evaluation. Chapter II is a description of the project, including its goals, the economic environment and the current project status. Chapter III analyzes several key dimensions of the project, including prospects for sustainability; financial accountability; the effectiveness of the training component; the effectiveness of REP technical support to sub-projects; the REP staff and board management; and further research and innovation opportunities. Chapter IV. lays out parameters for measuring achievements of the program in future years. The final chapter provides conclusions and recommendations to A.I.D., REP and other readers of this report. The appendices include, among other items, statistical tables on sub-projects, budgets, numbers of group and individual entrepreneurs, and eleven case studies on REP sub-projects visited by the team.

Parameters for Future Evaluation: Because several of the local intermediaries working with REP were only getting started at the time of the mid-term evaluation, the team concluded that one of the most useful evaluative functions was to set up parameters for measuring achievements of the program in out years. Taking into account the objectives and targets presented in the Project Paper, as well as appropriate experience in measuring enterprise project accomplishments elsewhere, the evaluation team worked with the REP staff to set correct parameters for future evaluations. These include cost of job created; number of viable subproject intermediaries to be supported by REP; cost effectiveness of income generation; make to female job generation ratio; cost per trainee; cost per beneficiary ratio; loan recovery rate; loan efficiency rate; loan administration cost rate; ratios of sub-project costs to technical assistance and training costs, among others. the parameters are intended not only to facilitate future evaluations but perhaps more importantly to guide the REP staff in carrying out its enterprise development work. Figures collected by sub-projects will permit comparisons and inform REP guidance to local intermediaries.

Conclusions and Recommendations: REP is off to a good start in its first three years, especially in strengthening Kenyan institutions that promote micro and small enterprise development, and it should continue to be support by A.I.D. in Kenya. However, to be sustained over the longer term, REP will need increased Kenyan and donor resources. Staffing must be increased and eventually a Kenyan Director will need to be appointed by th REP Board. REP's impact should not be judged entirely on the basis of the success of every subproject tried, high loan repayment rates, and the like; many aspects of the project are innovative and this should remain a hallmark of REP. REP should monitor both sub-project and its own progress toward parameters of job creation, income generation, and efficient loan management and effective use of staff time. Two elements which REP does very well and should continue to be given emphasis are: product market analysis for sub-project intermediaries and financial training for entrepreneurs prior to making loans. Further links with other micro and small enterprise development projects in Africa and elsewhere should be explored.

I. INTRODUCTION

The Rural Private Enterprise Project (RPE) (615-0220) of the Agency for International Development's office in Nairobi gave birth to the Rural Enterprise Programme (REP) in Kenya in mid-1984. A.I.D. made a cooperative agreement with World Education, Inc. (WEI) to launch a new five-year program throughout Kenya to promote small enterprise development through institutional development of local organizations, credit and technical assistance.

The agreement, as amended, now provides $7.059 million in grant funds, including $4.2 million for NGO sub-project activities. Additional funding for REP has been proposed by A.I.D. through 1994. REP is part of the larger RPE project that includes $24 million in loan funds to be channeled by the Government of Kenya through commercial banks to underwrite the growth of rural small business.

This evaluation covers REP under funding from RPE (615-0220). It was requested by the Mission at roughly the mid point of the Project. The cooperative agreement calls for an evaluation at mid term and at the end of the cooperative agreement. The purposes of this evaluation are to: a) assess REP progress and lessons so far; b) establish parameters for on-going Project monitoring and final evaluation; and c) demonstrate links with worldwide small enterprise activities.

Much real progress has been made by the Project, and the evaluators were able to document many lessons from experience to date. Although REP has been operational for about three years, the majority of field activities are just underway. Thus, sub-project impact on entrepreneur jobs and income is limited. REP found that it needed a larger amount of time than anticipated to build capable local institutions which were in the early stages of maturity in small enterprise development; and a lengthy process was required to register as a Kenyan organization. However, this evaluation has provided parameters for REP and A.I.D. to use to monitor future progress and to use as benchmarks in future evaluations of REP. Notwithstanding its early stage of evolution, the Project has already attracted attention from small enterprise sector specialists around the world. We believe REP will have lessons to teach outside Kenya and in turn can draw on a network of similar projects in other countries.

The evaluation team, selected by the Mission, consisted of USAID/Nairobi specialist personnel in program and finance (Esther Mbajah and Peter Ondeng, respectively) and Washington-based specialists in evaluation (Jim Cotter) and small enterprise (Ross Bigelow).

Since the nature of the Project is to work with small enterprise intermediaries all over Kenya, the team was faced with the challenge of seeing a representative selection of disparate activities as well as REP's operation in Nairobi in the three weeks set aside for the evaluation. The team made a strategic decision to see the widest number of projects possible, both in terms of geographic spread and types of approaches being tried by REP.

The team divided into two with one Washington-based and one Nairobi-based member going to different sites. One non-REP-supported project, Kenya Women's Finance Trust in Nakuru was visited. The evaluation also reached sites of a majority of REP's subprojects. Visits were made to 10 REP sub-projects in 11 very different geographic settings in rural Kenya.

<u>Coast Province</u>
Wongonyi Home Economics Group, Taita District
Upweoni Community Centre, Kilifi District
Tototo Home Industries, Mombasa District

<u>Eastern Province</u>
Salesians of Don Bosco, Ltd., Embu District
Chogoria Enterprise Scheme, Meru District
Isiolo Deanery, Isiolo District

<u>Central Province</u>
Kenya Women Finance Trust, Kiambu District

<u>Rift Valley Province</u>
NCCK Small Enterprise Scheme, Nakuru District

<u>Western Province</u>
Partnership for Productivity, Chekalini, Kakamega District

<u>Nyanza Province</u>
Reru Tinsmiths, Kisumu District
NCCK Small Enterprise Scheme, Kisumu District

The REP Board has approved 14 on-going sub-projects to date. Some such as NCCK and Tototo are in multiple locations. Although most activities are just being implemented, going to the field to see the REP sub-projects first hand was very important. It would have proved much less valuable to evaluate the REP activities from written reports, although the press of time and the excellent documentation available made this tempting.

The team held several interviews with NGO leaders, talked to A.I.D. and other donor representatives, visited a major REP training workshop of extension workers held in Mombasa, and met with members of the REP board who represent diverse interests in the public and private sector in Kenya. A list of persons contacted is provided in an appendix to this report.

We would like to thank the A.I.D. Mission staff, especially Mr. Justus Omolo; the REP Board; the REP staff and the persons in the NGO offices and in the many field projects for their support and patience. Without their wholehearted cooperation and enthusiasm this evaluation would have been impossible.

II. PROJECT DESCRIPTION

The Kenya Rural Enterprise Programme (REP) began in 1984 and since 1986 has been registered as a Kenyan company, under the name WEREP Ltd. REP provides financial and technical assistance to local non-governmental organizations (NGOs) and profit-making firms to promote small enterprise development in rural areas of Kenya. Small enterprise development is a priority area of attention for the Government of Kenya and United States Agency for International Development (A.I.D.).

REP is under the direction of a Kenyan Board of Directors and is run by an American General Manager and Kenyan staff. It is supported, at the time of writing, solely by a cooperative agreement to World Education, Inc. (WEI) from the A.I.D. Mission in Nairobi, (615-0220). A.I.D. has proposed additional support under the Private Enterprise Development Project (615-0238) which would extend the life of REP through 1994. Other donors are also anticipated in the near future. See Table 1 for clarification.

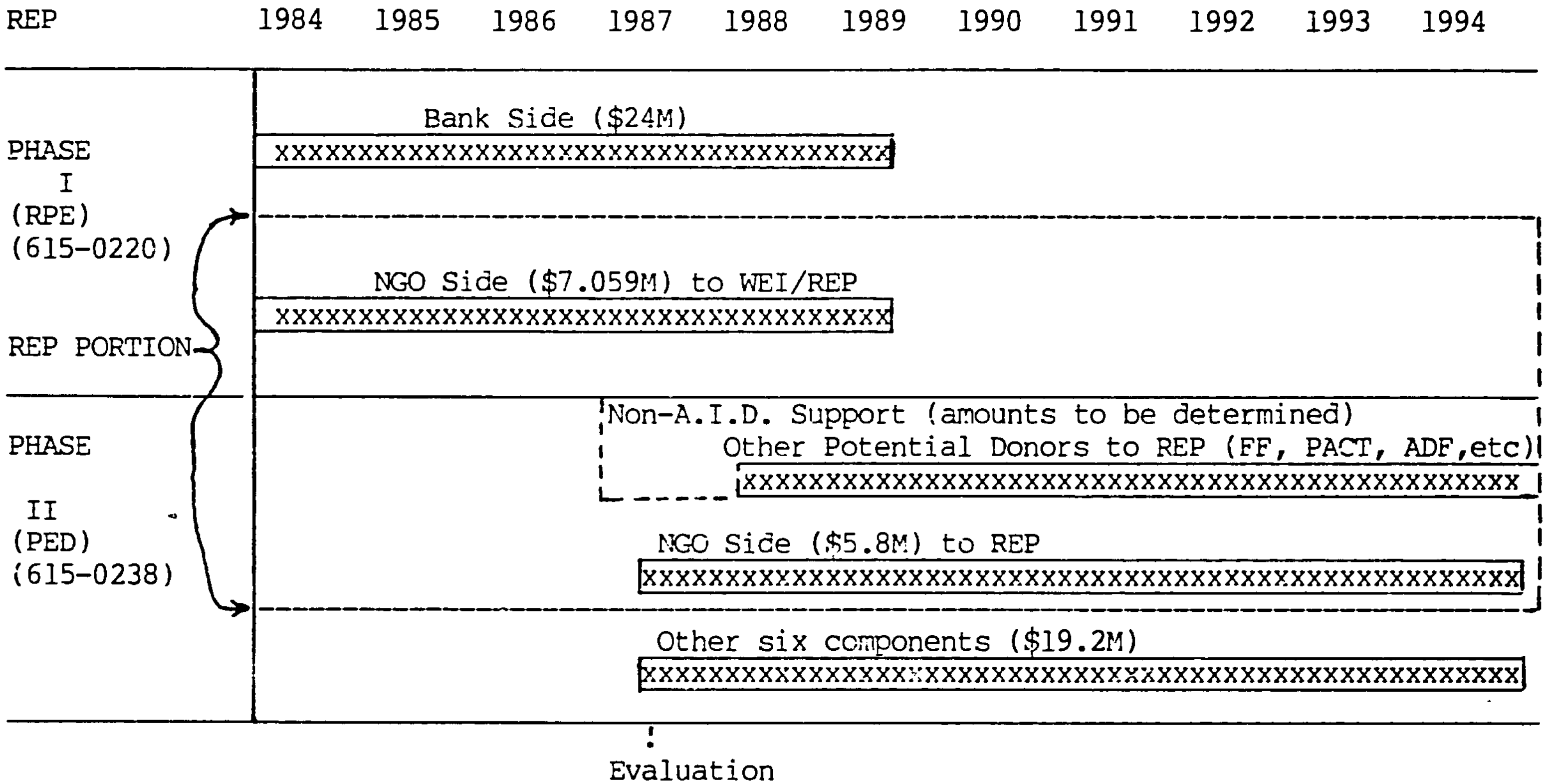
A. Project Goal

The project goal in initiating RPE was to increase rural production, employment and income. USAID considered this to be its top development priority. The strategy chosen to achieve this goal was to establish and expand rural private enterprises in Kenya. By promoting rural private enterprises the project could directly contribute to attainment of the project goal through both profits and increased employment. USAID selected this strategy because it: (1) was private sector oriented and therefore not directly constrained by lack of government administrative and financial capacity; and (2) provided a means of generating rural employment off the farm where a portion of the 8 million new jobs are needed by the end of the century. The strategy was also to contribute indirectly to the goal through increased provision of agricultural input supply and marketing services. A.I.D. obligated funds under RPE (615-0220) in August 1983. The cooperative agreement with World Education, Inc. was signed in May, 1984. In July 1986 A.I.D. approved a REP request to allow assistance to sub-grantees that are profit-making organizations as well as through non-profit institutions.

The Project Paper suggested that because of the varied nature of NGO small business programs and the range of skills different NGOs can bring to bear on the problem of small-scale enterprise development, the make-up of this component of the project would be highly diverse.

Table 1

PROJECTED FUNDING FOR REP
1984-1994



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REP's role, according to the Project Paper, was to serve as:

- an administrative and financial intermediary between AID and NGOs;
- a communication and coordinating entity among NGOs;
- a source for upgrading of NGO capabilities;
- a provider of technical assistance to both NGOs and client enterprises;
- a provider of credit capital to NGOs;
- a supervisor of NGO credit programs;
- a monitoring and evaluation organization.

A.I.D. documentation for REP indicates that the recipient entity must:

- be private;
- be administratively sound, or have demonstrated the capacity to improve readily its management ability;
- demonstrate its involvement with the rural poor; and
- demonstrate substantial prior experience with small enterprise assistance.

The programs to be supported must:

- be targeted toward productive, income-generating activities;
- directly assist the poor;
- be cost effective in reaching the poor;
- be for off-farm activities;
- be outside Nairobi and Mombasa; and
- be financed at least 25% from non-AID sources.

Further, priority would be given to programs which support innovative investments and economic activity of women. No restrictions were placed on the type of client (individual or group) or the nature of the assistance program (financial or non-financial).

Key targets cited in the Project Paper for the REP activities were:

- approximately 1,350 individuals or group clients will receive loans averaging $1,200;
- approximately 21,500 individuals will benefit either directly or through groups from the project;
- approximately 1,000 new jobs will result from the credit programs;
- a large proportion of NGO clients will be women (85% of the NCCK clients in 1983 were women);
- a large proportion of the beneficiaries will be group members;

B. Economic Setting

The economic setting is generally healthy and suited to accommodating growth in small enterprise development in Kenya. After the drought of 1984, the GDP rose to 4.4 in 1985, according to the Kenya Country Economic Memorandum of the World Bank, May 1987. In contrast, the growth of Kenya's economy over the period 1964-1981 was at an average annual rate of 5.1 percent. Given an average population growth rate of 3.6 percent for the period as a whole, per capita income has grown at an average annual rate of 1.5 percent. Kenya's Development Plan 1984-1988 indicates that modest though this growth is, it compares well with rates of growth registered in neighboring African countries, the countries of South Asia and China.

The economy grew by an estimated 5.7 percent in 1986 due to favorable weather conditions, unusually favorable external terms of trade (high coffee prices and low oil prices), and improvement in the macroeconomic environment (namely, good exchange rate management and less stringent foreign exchange allocation). All key sectors of the economy performed well, particularly agriculture and industry grew by 4.8 percent and 5.2 percent, respectively. Moreover, real income per capita (adjusted for the income effect of the terms of trade) registered the first positive growth (7.0 percent) in this decade. This growth was not, however, enough to fully recoup the decline of the early eighties. The high economic growth combined with the favorable balance of payments position, also led to a decline in the excess of domestic demand over domestic supply.

Private investment declined sharply in real terms during 1980-1984 but increased by 30 percent in 1985 and a further five percent in 1986, a reflection of the economic recovery. The level of private investment is, however, way below the levels achieved in the early eighties. The trend in private investment is of great concern to the Government, as manifested by the establishment of the Committee on Investment Policy in October 1986 to look into ways of improving private investment and facilitating the implementation of investment policies. The Government's Sessional Paper No. 1, 1986, which spells out national economic policy indicates that industrialization requires among other things "...a larger supply of entrepreneurs to pioneer new markets and products."

C. Current Status

The Board of Directors of REP has approved 25 sub-projects to date, including a conference and pre-project surveys. (Sub-projects over $100,000--representing nine of the current sub-projects--have also been approved by USAID/Nairobi.) REP has obligated $3,275,950 for the 25. See Appendix I for a list of these. Four sub-projects (covering Appropriate Technology Advisory Committee and Jisaidie Cottage Industries) were not pursued by REP because they were determined to have inadequate management capacity. Fourteen sub-projects are operational or just about to start up. Another six sub-projects are under consideration by the Board and are likely to be approved. With a grant pool available under RPE of $4.2 million, a balance of $924,050 remains. Most of this balance will be obligated in the next three months. See Appendix II for REP financial information.

The team visited various sites of ten of the sub-project NGOs: Upweoni Community Development Centre, Wongonyi Home Economics Group, Tototo Home Industries, National Council of Churches of Kenya, Reru Tinsmiths, Partnership for Productivity/Kenya, Kenya Women Finance Trust, Salesians of Don Bosco Ltd.-Embu, Isiolo Deanery of the Catholic Diocese of Meru, and Presbyterian Church of East Africa - Chogoria Hospital. Appendix III provides summary case studies of site visits.

Most of the NGO sub-projects support new rather than existing enterprises, although a number of them are direct extensions into business of existing women's groups, associations, cooperatives or training activities with no previous income-generating functions. However, in every case REP is underwriting the creation of a distinctive business component.

For the fourteen approved sub-projects, a total of 2,173 individual enterprises and 256 group enterprises are projected by the NGOs for assistance by 1989. At present there are 425 individuals and 127 group firms. . Total population affected by REP assistance would be 45,000 of which 50% would be women. Over the period 1984-89, REP expects to mount 20 sub-projects, and over the period 1989-1994 an additional 38 NGO sub-projects and business associations plus 25 innovation activities. These projections have been generated by the NGO representatives in cooperation with REP staff and seemed in the view of the evaluation team to be realistic if not conservative. See data on beneficiaries, clients and jobs in Appendix IV.

Detailed status reports on sub-projects are provided in Appendix III. There has been genuine progress made by REP so far in building the capacity of local NGO institutions to deliver financial and technical assistance to small entrepreneurs throughout Kenya. REP is giving much guidance to NGO staff in accounting, project design, group formation, skills training, management, etc. Assistance, generally in theforms of commercial-rate loans and technical advice, is being provided by the sub-project NGOs to both individuals and groups. Market research and area surveys have been provided by REP to several of the projects. NGO staff and entrepreneurs we talked to seemed to be very aware of the market potential for their products and often credited REP with helping them learn in this area. Commercial banks have agreed to provide banking facilities to many of the groups, with REP encouragement, indeed many NGOs require participating entrepreneurs to have bank accounts.

Training has become a hallmark of REP. REP reports indicate that about 225 staff from 40 NGOs have participated in workshops, many of them in field posts. The workshop held in Mombasa in June 1987, which the evaluation team attended, was rated very highly by participants. It brought together extension worker-level NGO staff from assisted sub-projects and covered a wealth of business topics from market survey to break-even analysis. Further discussion of REP training is found in section III.C. below and in Appendix V.

Trainees at the Mombasa workshop generally rated REP's two-week training highly. They said their skill levels were improved in the medium to high range and that their grasp was adequate to be able to teach others what they had learned. On-site feedback grom trainees to the evaluation team after the Mombasa program suggested many participants were already applying lessons in, for example, streamlining the application process, on-going product market analysis, and estimation of appropriate loan amounts for enterprise applicants.

The training provided by REP is blended with the technical assistance functions. REP staff and consultants are now providing post-training followup with trainees to permit them to apply lessons and adapt them on the job. REP staff say they have found it especially important to integrate technical assistance with financial advice because of the weakness of NGOs in this area. REP has developed training materials and manuals for general use, including:

Credit and Credit Administration Guidelines
NGO Fund Accounting Manual
Small Business Accounting Manual
Marketing Assessment Training Package
General SSE Manual for NGO Senior Staff (in process)
General SSE Manual for NGO Field Staff (in process)

Partnership for Productivity International had responsibility for international consultants to REP, under a subcontract to WEI. However, with the demise of PfP/I earlier this year, this function has been picked up by WEI itself.

The REP credit component is really just underway, and the evaluation team had a very limited track record in this area to evaluate. Credit delivery capability has been the focus of the REP work over the first three years. NGOs are generally very weak in this area, but we believe that for rural entrepreneurs to be reached these NGOs must be strengthened in their credit delivery capacity. Revolving loan funds have been approved in all but two of the fourteen sub-projects, i.e. Wongonyi and Reru Tinsmiths which are community-based enterprises with production functions. Loans have been disbursed to 400 clients by PfP/Kenya in Chekalini and to 535 clients by Tototo around Mombasa. Kenya Women Finance Trust in Kiambu has disbursed 15 in its first few months of operation with REP support. Most loans are for three years. Repayment rates are not yet meaningful, but participating NGOs give credit management training to loan recipients before disbursement. All but one REP sub-project lend or will lend at commercial rates, limited to 14% by the Government. That one is KWFT which lends at 12 1/2%, which REP plans to revise upwards later. REP is determined not to let loan funds be decapitalized. REP now has the authority to make loans to NGOs for credit programs, and eventually plans to institute loan guarantees when significant numbers of entrepreneurs have demonstrated their creditworthiness to banks. Banks are already involved in handling REP-supported group enterprise accounts and individual accounts.

In summary, the REP project has begun slowly but surely. After roughly three years of operation, it has funded fourteen projects, it has established a solid reputation in Kenya as a resource for small business development, and it has clearly strengthened the capacity of NGO enterprise development staffs. We strongly believe that a foundation has been laid for small business impact in future years.

III. ANALYSIS OF THE PROJECT

In analyzing REP's progress and future in discussions with REP staff, the Board and A.I.D., a number of topics popped up regularly. These included REP's potential for sustaining the business development which it is now fostering in Kenya, the critical need for financial accountability at all stages in the transfer of resources to entrepreneurs, the quality and impact of the training and technical assistance delivered to NGOs by REP, the delivery of support to sub-project NGOs and entrepreneurs, the management and staffing of REP, the role of the REP Board of Directors, and the directions to be pursued under the new REP component on innovation, research and development. This section of the report takes a closer look at each of these topics.

Sustainability

Those who invest in development programs want the entities that they have brought into this world, and have nurtured, to stand on their own someday. As it concerns the Rural Enterprise Programme, this is the view of A.I.D.--which did the birthing and provides support--as well as the REP Board--which is providing the nurturing. There is general agreement that REP should strive to become a self-sustaining Kenyan institution serving small enterprise development throughout the country. The Kenyan public and private sectors also have vested interests in seeing REP become viable. Small businesses collectively are now seen as an important engine for national economic development, employment and income generation. For good economic, political and development reasons, then, it is advantageous to have an established and independent REP in place someday.

Given the strong institutional basis which REP has created so far, as well as its registration as a Kenyan corporation last year, it seems reasonable to hope that REP will establish itself as a permanent institution. Drawing on Agency experience from the PISCES and ARIES projects in small enterprise development worldwide, however, it seems unlikely that all components of REP will become fully self-subsidizing. One must be realistic about the prospects for REP's sustainability without additional public or private assistance.

Credit programs, revolving loan funds and loan guarantee components should become self-funding once supporting NGOs and financial institutions establish effective relationships. But training and technical assistance elements seldom cover costs from fees for service. Public or private subsidies are the norm, and there is no evidence at this point to suggest that REP's case will be any different.

Sustainability should be viewed at several levels. In the broader context of small enterprise development Kenya-wide, sustainability is a goal for the NGOs which promote small business development and for the community-based enterprises and individual firms which grow out of REP-supported activities. The REP Project obviously seeks full viability for all the individual and group enterprises it assists through local NGOs, and sustainability will be the standard against which REP's impact at the enterprise level will be measured ultimately. As for NGOs, like REP, their training and technical assistance components will--perhaps with exceptions--need outside help from affiliated religious institutions, or other private or public sources, or donors.

REP's sustainability will be affected by a number of factors: the financial viability of the overall REP activities; the overall economic impact of the program in the various sub-project areas; local leadership and group cohesion; the effectiveness of the credit program; the effectiveness of the training and technical assistance services; feedback from monitoring and evaluation by REP; experimentation with new pilot projects that capture the imagination; degree of support from private sector institutions such as banks and auditing firms which provide financial security and accounting support; linkages between larger firms and small businesses; contacts with small-scale enterprise projects in other countries. Sustainability factors at the various levels are shown in Table 2. Refer to section IV below for a related discussion of Project parameters that could guide REP in the future.

REP and A.I.D., and other future donors, should work together to explore innovative ways to offset costs with revenue. Business advisory services, marketing analysis, technical assistance on small business development provided by REP beyond the Project are all capable of generating income. REP has no real competition in the field of small business promotion in Kenya, and it has marketable skills that could generate income to offset development costs. There is a downside to adding for-profit activity to REP and that is the potential distraction from its stated task of development work with small business in Kenya. Nonetheless, innovation and imagination are in order to enhance REP's chances of sustaining itself. Of course, REP does not have to become fully self subsidized, if its reputation remains in tack. Subsidies from either inside or outside Kenya are unlikely to be difficult to locate. But financial independence from donors would be very appealing, one would guess.

Table 2

FACTORS AFFECTING THE SUSTAINABILITY OF REP-SUPPORTED ACTIVITIES AT VARIOUS INSTITUTIONAL LEVELS

REP SUSTAINABILITY FACTORS

Institutional Level/ Responsible Entity	Financial Viability of Entity	Economic Impact	Leader-ship/ Cohesion	Promotion/ Marketing	Service Provided		Dissemi-Nation Diffusion (Publica-Tions)	Experi-tation/ Pilot Projects	Private Sector		Links with Larger Firms	Links with Other SSE Projects
					Credit/ Credit Advice	TA/ Training			Financial Accounting-Audit firms	Financial Security-Banks		
Rural Enterprise Programme (REP)	X	X	X	X	X	X	X	X	X	X	X	X
Kenyan Non Governmental Organizations (NGOs)	X	X	X	X	X	X	X	X	X	X	X	X
Community-Based Enterprise (Groups)	X	X	X	X					X	X	X	X
Individual Enterprises	X	X	X	X					X	X	X	X

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Financial Accountability

The evaluation included as assessment of the institutional capabilities of the various organizations to adequately account for and properly manage project funds. Of primary concern was the adequacy of the policies and procedures developed by REP to enable it to carry out its programs effectively while minimizing its financial vulnerability. In addition, the evaluation team conducted a limited review of the accounting and information systems of the recipient PVOs as well as of the client small scale enterprises to determine their effectiveness and whether they sufficiently met REP's and USAID's accounting and reporting requirements.

Subject to REP's hiring of additional staff to relieve the financial manager of what appeared to be an enormous administrative burden, the organization's established financial systems and procedures are adequate for proper management of project resources. Additional staff is needed to carry out the routine accounting functions and thus allow the Deputy Director Finance and Adminstration to concentrate more on technical assistance, training and general administration. REP's accounting and reporting system is audited by a reputable CPA firm, Deloitte Haskins & Sells (DH+S), whose most recent audit report indicates that the system meets all USAID requirements.

Many of the projects visited by the evaluations team were in their initiation stage and, consequently, the team's assessments were limited to written as well as verbal implementation plans. Because of the diverse nature of the recipient PVOs and the wide range of activities of the client enterprises, it is important that emphasis be placed on monitoring to ensure compliance with established standards and procedures. To date, REP's financial monitoring of sub-projects has been carried out by its staff under the supervision of the financial manager. Plans are underway to begin using CPA firms for grantee financial monitoring and audits.

One of the challenges of SSE development lies in the general lack of understanding among the entrepreneurs in this sector of the value of keeping proper accounting records. This situation is further complicated when the grant or loan recipients have little or no education and thus lack the basic skills necessary for keeping accurate useful records. Because most of the beneficiaries are group members as opposed to individuals, the basic bond which is the trust among the group members must be guarded if the ventures are to succeed. Misappropriation of project funds at the SSE level, or even the appearance thereof, can undo even the most carefully planned projects. Assistance to these groups through REP and through intermediary NGOs has included setting up of bank accounts and maintenance of pass books for the client enterprises. The following is an example of how funds will be accounted for in one project visited by the team which is currently still in the design stage.

Project name: Isiolo Deanery (Goat Trading Scheme)

Upon request for funds from the Deanery, REP will transfer the requested amount directly to the Deanery's bank account. The funds will immediately be transferred from the Deanery account to a project account to be set up at a bank located near the project site. Goat traders who apply for loans will be required to set up separate bank accounts. Once the loans have been approved, disbursements will be made directly to the sellers from the main project account. When the goats are resold, the cash realised will be deposited by the loan recipient into his account which was opened at the time of loan approval. Loan repayments will be effected by an automatic draw down by the bank from the trader's account into the project account.

While this kind of assistance may be necessary in the beginning, it is important that as the projects mature, responsibility for funds control be transferred completely to the beneficiaries. In addition to the transference of the basic knowledge to the SSE's, attitudes toward accounting and recordkeeping must be changed and a sense of responsibility fostered among the client groups.

Effectiveness of Training

As indicated earlier, training has become a hallmark of REP. REP reports indicate that about 225 staff from 40 NGOs have participated in ten one-week workshops and/or one two-week workshop. Many of the programs have been held in field posts. Most of the trainees have been senior NGO officers; but the last workshop, held in Mombasa in June, 1987 (which the evaluation team attended) brought together extension worker-level NGO staff from assisted sub-projects. Through January, 47% of the participants were women.

Over the period August 1985 to June 1987 REP has provided training programs in:

- Cost effectiveness
- NGO financial management and bookkeeping
- Project planning and development
- Marketing and feasibility analysis
- Project management and evaluation
- Credit and credit administration
- How to become an effective trainer
- Training of extension workers

Though successful, the training activities have faced a number of constraints according to REP staff and the REP Training Specialist's report. Mounting training while also launching a new program created problems in scheduling, participant selection, consultant recruitment, and use of REP staff. REP senior staff do much of the training, assisted by specialist consultants, while carrying out their project development/technical assistance duties. Sometimes they were needed in more than one place as once, complicating training plans and activities. Feedback from NGO participants with whom the team talked was very positive on REP training, especially the Mombasa workshop.

REP Technical Support to Sub-Projects

The target groups which REP was originally set up to serve are non-governmental organizations which have been involved in social development work. People associate PVOs with grants not loans. For this group to focus on small business as a vehicle for development will take time.

The REP initiative is a new phenomenon in Kenya. REP has to provide technical support to a level which can promote business development. To be able to develop the proposals several field visits and lengthy discussions have to take place between REP staff and the sub-grantees.

REP's approach to small business is to do product market surveys first, then production. REP carries out an intensive survey to determine whether the proposed business is viable. This survey becomes a part of the proposal to the Board for sub-project selection. This early technical assistance provided by REP is critical for successful implementation of a sub-project. Through this approach REP has been able to identify weaknesses of sub-grantees. For example, after one year of technical assistance to Jisaidie Cottage Industries, REP realized that the organization could not manage a credit program. Another example is the Appropriate Technology Advisory Committee: when REP realized there were limitations in management, a grant totalling KSh. 3,574,792 ($222,860.38) was deobligated.

Management assistance is a key element for REP. REP ensures that management skills are imparted to staff through training and on-site visits. In cases where credit management is part of the project, training in accounting and project monitoring is provided first before the credit.

To offset staff limitations of REP, consultants--both local and international--have been utilized extensively to assist in the technical assistance work, over the last two-and-one half years. Consultancies have focused on four major areas: 1) program and financial management; 2) credit and credit administration; 3) marketing; and 4) structuring of monitoring and evaluation systems.

To guide the sub-grantees or individual clients, REP has designed a "Guideline for Requesting Assistance from REP". The guidance is informative and useful to the applicants. It details REP criteria for project selection; outline of REP assistance process; and guideline documents to be submitted with the proposal.

After a proposal has been approved, the sub-grantee is provided with "REP monitoring forms". The following forms are management tools for the internal use of the grantee. Form No. 1 is the Grantee Client Information Intake Form. Form No. 2 is the Grantee Client Monitoring Form. Form No. 3 is the Grantee Aggregate Monitoring Form to be filled by the headquarters or regional offices, twice a year. Form No. 4 is called REP Monitoring of Grantee Performance. REP is responsible for filling it in for every six months for each sub-project. Its objective is to overcome program constraints and weaknesses.

At first glance the monitoring process may seem tedious. Possibly some of the information may not be necessary at the initial client intake stage. REP is agreeable to modifications. As more experience is gained, form will be redesigned as appropriate.

REP Management

REP is under the direction of a Kenyan Board of Directors and is run by an American Director and Kenyan staff. The Board is discussed below. The current professional staff consists of:

Programme Director	Mr. Fred O'Regan
Deputy Director Projects	Ms. Kadzo Kogo
Deputy Director Credit	Mr. Stephen Mirero
Deputy Director Finance and Administration	Mr. Albert Mutua
Training Advisor	(vacant)

In addition, there are three secretaries, a driver and a messenger on the staff. There are also several short-term consultants who are principally responsible for training functions, but also do some field work. At this writing these staff and consultants are all provided by World Education, Inc. (WEI) under the RPE cooperative agreement with the A.I.D. Mission in Nairobi. However, under the proposed new funding from the Private Enterprise Development (PED) project, A.I.D. would fund REP directly and would extend its life through 1994. WEI would provide management consulting services to REP, and Fred O'Regan would be the Managing Director. REP is a registered Kenyan corporation and WEI is seeking separate registration in Kenya.

A significant expansion of staff is envisaged with the proposed new funding. These would include: a Senior Projects Officer, Project Officer for Community-Based Organizations, and Project Officer for Trade Associations. These would all be professional positions filled by Kenyans. In addition, there would be added support staff including two Community Projects Officers, two Accountant/ Administrative Officers, and a Monitoring and Documentation Officer. These would all be reporting to the Managing Director and the deputy directors.

There is a clear need for staff expansion at the moment. They not only fulfill assigned office functions but also carry a caseload of four-five cases each, including the Director, and are key performers in the training workshops. While this high-level, hands-on approach has been desirable in the early institution building work with NGOs, it also has costs to program and personal efficiency in the longer term.

The REP professional staff to a man (and woman) is outstanding in terms of skill in his/her field, commitment to Kenyan development and down-to-earth hard work. It must be one of the better staffs in small enterprise development anywhere. They also are a cohesive and personable group and work well as a team. They have been together since the inception of REP in 1984. Staff turnover has only affected the training specialist slot which is now vacant. Hopefully, the imminent arrival of new staff will not change the good REP rapport; rather, one would hope that the new members would be warmly welcomed and quickly integrated into REP's work. The present staff will need to adjust to further delegation of responsibilities.

Although nearly all REP staff are now Kenyan, the Director will probably continue to be an American for several years. This is the wish of the Board members with whom we spoke. The reasons are that the current Director has operated very effectively within the Project and has carefully brokered the relationship between A.I.D. and the Board. Based on our discussions with the Director and the Board, there is general agreement that the managing director position will filled by a Kenyan in the future. A.I.D. is also supportive of this course of action.

The transition to a Kenyan managing director should be done with great care. Perhaps, for example, the current director might move into an advisory role to a new Kenyan director for a two-year period. It is very important that both A.I.D. and the REP Board be sensitive to this transition process, for it very much affects the long-term sustainability of REP.

The Board

The REP Board, which now directs the company registered in Kenya as WEREP Ltd., consists of the REP Director and a group of professionals with wide experience in Kenyan business, development, social services, accounting, foreign affairs, law and jurisprudence. They are:

- B.A. Kiplagat, Chairman, and Permanent Secretary, Ministry of Foreign Affairs
- Mary Ang'awa, LLB, Vice-Chairman, and Magistrate, Kenya Law Courts
- Mathias Keah, CPA, Managing Director, Keah and Associates
- Francis Kihiko, Private Businessman
- Kabiru Kinyanjui, PhD, Director, Institute of Development Studies, University of Nairobi
- Harold Miller, Regional Representative for Food and Peace, Mennonite Central Committee
- Justus Omolo, U.S.A.I.D. Private Enterprise Officer
- Fred O'Regan, REP Director

The Board has been active in guiding the direction of REP in its early years and has brought strength and credibility to the organization. Valuable discussions of development and business issues result when different viewpoints are expressed in the Board meetings. We understand that this happens frequently. The Board's main function to date, under the WEI program, has been the review and selection of sub-projects. The members have been most active in this process, going to visit many of the project sites even in the most remote areas of Kenya. They have demonstrated a genuine commitment to the goals of REP in small business promotion and general development in Kenya.

The evaluation team met with Board members formally and informally on several occasions in the course of our work. This Report is directed to them as much as it is to A.I.D. and the REP staff. It is clear to us that each of the members is very supportive of REP's program and sincerely seeks to see it become successful in Kenya. Their collective involvement has been substantive and important to achieving the good image and reputation that REP enjoys.

With its registration as a Kenyan company and the signing of the A.I.D. agreement directly with the Kenyan organization, the role the Board members play on behalf of REP is expanded. They now direct REP as well as select sub-projects for support. As the program expands it will be important for the Board to maintain its present cohesiveness and to ensure REP's standing for integrity and service.

The shift to direct support for WEREP Ltd. has caused some tensions, understandably, between the Board and A.I.D. and WEI. It has been the task of the REP Director to help all to find common ground, which to date he seems to have done successfully.

In the future, the Board will need to look carefully at its expanded role. It will soon be dealing with more than one donor which will mean more complexity in maintaining financial accountability. Although full financial autonomy for REP seems unlikely in the foreseeable future, as noted in the section on Sustainability above, the Board will probably wish to seek an increasing measure of self-sustainability as time goes on. Fund raising or income generating functions, as indicated earlier, will need to be explored to allow REP to achieve greater independence.

Innovations, Research and Development

REP will be paying greater attention to innovation, research and development in the future. With new funding from A.I.D. under PED (615-0238) and the Ford Foundation, and perhaps others, REP will be able to increase its knowledge about small enterprise development and apply this knowledge to its program in Kenya. The A.I.D. funding permits product and technology development for small firms, pilot enterprise projects, and information networking and exchange. A.I.D. support will include sponsorship of research, conferences and international exchanges. Ford funding will enhance these same functions.

There are many wonderful opportunities open to REP in this area. Staff exchanges to similar projects in Senegal, Indonesia, Jordan, the Philippines, Bangladesh, Honduras and other countries should be given a high priority. They should also actively participate in international conferences in this area. For example, the ARIES project will be sponsoring a workshop on Credit Management in the Washington area in December 1987 which will consolidate experience to date from various projects around the world.

Research should be done on issues which emerge directly from REP experience in the sub-projects, including technology options for specif enterprises, gaps in market information for entrepreneurs, relative efficiency of credit delivery systems in the sub-projects, etc. REP should experiment with electronic networking of information with other SSE projects on programmatic and technical matters. It could also be used to tap information on export market alternatives for Kenyan firms assisted by REP which have export potential. There is also access to small enterprise lessons learned and bibliographical information available from the ARIES project, and eventually perhaps from PACT (Private Agencies Collaborating Together, New York).

REP should also collaborate with other Kenyan institutions, such as the Institute of Development Studies, to carry out a series of teaching cas studies on project experience. Taken from the perspective of the entrepreneur or the NGO field staff member, or even REP itself, studies of particular decision points in a project can generate fascinating teaching cases. For example, REP made a decision to drop the for-profit production function in the Chogoria sub-project, but it approved the NGO credit and technical assistance program. The debate that we understand went on among the REP staff and Board members concerning the appropriateness of supporting the production unit in the NGO reflects the kind of issue which arises frequently in project design. It could teach much. Again, ARIES is working with many local institutions around the developing world to write up such cases and expand the literature on Third World small enterprise development. It is available as a resource for collaboration.

Hopefully, the REP emphasis on innovation, research and development can help it make maximum use of the practical experience which the Project is gaining. As REP pursues this program direction it can call on many existing outside resources. One with which REP has some contact already, is the PACT-sponsored Small Enterprise Evaluation Project (SEEP) which has just published an excellent book, Monitoring and Evaluating Small Business Projects: A Step by Step Guide for Private Development Organizations. This book is the collaborative effort of twenty-five international NGOs who now wish to collaborate with one another, and with field projects like REP, to promote learning and linkages in small enterprise development. Since PACT has just approved a $150,000 three-year grant to REP, there will be good opportunities for REP-PACT cooperation, including the SEEP small business offshoot.

There is growing interest in small business among donors. The Dutch, Canadians, the World Bank and others are all doing studies and/or designing business projects for which REP is a resource or even a model. These donors will provide other valuable linkages to small business resources outside Kenya.

IV. PARAMETERS

The mid-term evaluation team believes that one of the most useful functions it can perform is to set up parameters for evaluating achievements of the program in future years. The parameters presented in this section are consistent with the original Rural Private Enterprise Project (615-0220) Paper objectives and draw on the experience of similar projects run by other A.I.D. Missions.

By-and-large data are not being collected yet in the sub-projects on, for example, job generation and related costs, male-female clients, etc. Only a few local intermediaries working with REP have begun to establish a track record with loans and assistance to entrepreneurs. Therefore, little progress along these parameters can be estimated at this time. If the data base for analysis is developed, the final evaluation scheduled for 1989 should yield a wealth of information on impact.

The parameters presented here are intended not only facilitate future evaluations but also, more importantly, to guide the REP staff in carrying out its enterprise development work. Figures collected by sub-project will permit comparisons and inform changes in REP development tactics and strategies with local intermediaries. It is expected that these parameters will be used by REP staff to discuss progress with sub-project staffs and help them reach understandings about changes in direction.

If REP sets certain parameters for its program, it will be able to monitor its own progress and have benchmarks for future evaluations. The evaluators suggest the following parameters be studies and recalculated on the basis of experience.

1. Create new jobs at a total cost of Ksh16,000 ($1,000) per job. This is a cost factor higher than some small enterprise projects (e.g. ADEMI in the Dominican Republic) but may be reasonable given the heavy investment needed in institution building in Kenya. The current cost is projected at Ksh17,640 ($1,103), assuming a projected REP job creation in its first five years of 8,000 jobs, and costs of Ksh141,120,000 ($8,820,000), including REP at $7,055,000 and NGO costs of say a about a quarter of REP's--$1,765,000. However, it remains to be seen whether 8,000 jobs will be truly generated. In contrast, the RPE Project Paper projected only 1,000 jobs created. REP and the participating NGOs will need to be aware of and install a system for counting the number of jobs created and the cost of creating them. Data should be collected disaggregating by male/female entrepreneur. The lower the cost per job created, the greater the impact of REP and the NGO, and the greater the chance of sustainability.

2. Create 15 viable SSE support projects in the NGO sector in Kenya by 1989.

3. Generate additional annual income for the small entrepreneur at a rate of Kshl.50 for each Kshl.00 expended to create that new income REP should track the added income of an entrepreneur supported unde the program, and track the total costs to all parties of creating that new income. Before and after figures should be collected. These calculations probably makes most sense at the sub-project level, and will require evaluation of selected cases to determine.

4. Generate jobs in the ratio of 1:1 for male and female entrepreneurs Data on job generation should be collected and disaggregated by sex

5. Provide training at a cost of $ 525 per NGO staff trainee.

6. Provide technical assistance and training at a cost of $6500 per sub-project per year or no more than 10% of total project cost.

7. Assist total project direct beneficiaries at a total cost of $550 pe beneficiary.

8. Recover loans to entrepreneurs at a rate of 80%. This calculation probably makes most sense at the sub-project level. REP should provide guidance to local managers in calculating it. REP can make comparisons across sub-projects.

9. Process 80% of all approved loans within one month of receiving application. This calculation probably makes most sense at the sub-project level. REP should provide guidance to local managers ir calculating it. REP can make comparisons across sub-projects.

10. Provide 100% of all loans to entrepreneurs and groups at commercial rates of interest.

11. 100% of the loan funds, will not be decapitalized. In Kenya, the cost of capital generally exceeds the commercial rate of interest (14% currently) set by the Government. But loan funds must not be decapitalized. Some sub-projects are charging fees to partially offset costs.

12. Provide loans at an administrative cost of 20% of the loan value for the sub-project revolving loan fund portfolio. This statistic varie widely from project to project around the world, but with significar loan volume is reasonable. Refer to Carl Liedholm, 1986.

13. 80% of loan capital will be in force within three months of disbursement by REP to the sub-project.

14. After initial REP grants to NGOs, achieve self-subsidizing revolvinc loan programs in 80% of sub-projects.

15. Cover 50% of the cost of non-financial services in the sub-project. This calculation should be done at the sub-project level. REP should provide guidance to local managers in calculating it. REP can make comparisons across sub-projects.

16. Provide non-financial services at a cost of Ksh1.00 for every Ksh2.00 loaned within five years.

17. Finance no more than 60% of total project costs; 40% to be covered by sub-project NGOs or other sources. Compare this to 25% required by USAID and REP.

As sub-project staff become more familiar with the ramifications of their programs, they should be able to create other useful parameters to guide their programs.

V. CONCLUSIONS AND RECOMMENDATION

The substance of this section has been divided by target audience: A.I.D., the REP Board and Project staff, and the general readership.

A.I.D.

Conclusion: The REP Project got off to a slow start because of the defined need to strengthen local small business NGO capacities before channelling significant amounts of resources to them. Since last year, the pace has quickened and there are now 14 sub-projects launched and another six ready to get going shortly. REP has established a solid reputation for competence and responsiveness. It appears to be on the verge of having considerable impact in the small enterprise field in Kenya. REP is really the only institution in the country able to deliver quality credit and technical assistance to NGOs setting up small business programs at this time.

Recommendation: A.I.D. should be favorably disposed to providing additional assistance to REP through appropriate funding mechanisms.

Conclusion: REP has enough experience now to enjoy the luxury of considering its establishment as a permanent institution in Kenya. It is registered as a Kenyan corporation. Several years will be needed to approach, let alone achieve, sustainability. REP will need the assistance of donors and Kenyan resources to hope for success in this arena. However, at the same time REP can develop revenue-generating activities to achieve some degree of autonomy. Business advisory services, marketing analysis, technical assistance on small business development provided by REP beyond the Project are all capable of generating income.

Recommendation: A.I.D., and other future donors, should work together with REP to explore innovative ways to offset costs with revenue.

Conclusion: REP has launched a number of novel approaches to generating income and creating jobs in the small business sector. Samburu warriors in Isiolo will be forming goat-trading associations for the first time; a women's group in Wondonyi is learning how to account for and share proceeds from a posho mill the Project has helped them build; group enterprises are being formed among graduates of polytechnics in Upweoni and Embu. The risk of exploring these innovative schemes seems worth taking. However, some will certainly fail. REP can progress if it has room for experimentation while striving for significant Project impact in terms of jobs and income.

Recommendation: A.I.D. should measure the success of REP in terms of both impact and innovation. A reasonable balance between the two should be struck. If too much emphasis is given to high percentage success of sub-project, certainly many high risk-high yield opportunities will have to be passed up to satisfy the donor.

The REP Board and Project staff

Conclusion: REP is strained under the workload of servicing the current sub-projects, and demand will continue to grow for additional sub-project support from worthy intermediaries throughout Kenya. There is need for increased REP staff resources for effective technical and financial support to sub-projects, proposal review, market analysis, training, and evaluation and monitoring of parameters. Furthermore, the transition of the position of REP managing director to Kenyan hands will be a key event for the Project and probably will occur within the next two or three years.

Recommendation: The staff increases proposed under the new REP funding by A.I.D. (615-0238) are justified and will go a long way toward resolving the workload problem. REP staffing must be increased to allow effective support of sub-project intermediaries. Eventually a Kenyan Director will need to be identified by the REP Board.

Conclusion: To date, sub-project impact on beneficiary entrepreneurs has been marginal. While recognizing the important strides that have been taken in institution building, the start up costs have been high in relation to impact. REP is well situated for impact. It has local support, is well funded, has an experienced and energetic staff and a supportive Board.

Recommendation: REP should ensure that careful monitoring of job and income generation is done so that real impact can be seen in the sub-projects.

Conclusion: Community-based enterprises have been supported by REP in the cases of Wongonyi women's group, the Reru Tinsmiths, and the Orma goat scheme in Bura. While these are important activities in the communities they serve and may well prove viable, it should be recognized that CBE is the most time-consuming type of approach for staff and generally lacks the support organization locally that can provide day to day assistance. Thus, these enterprises are fragile.

Recommendation: The Board and staff should clearly calculate the staff time requirements in entering into future CBE sub-projects and try to find local support institutions that can help such groups.

General

Conclusion: Two elements of the REP approach to small enterprise development which give it its own special character are: (a) market-led enterprise sub-project design, and (b) emphasis on providing financial training and bookkeeping to entrepreneurs and NGOs before making available loan funds. These tactics are wise. Many projects in other countries do not do adequate product market analysis before designing sub-projects, resulting in failed enterprises. REP has put heavy up-front effort into doing market surveys and into training NGO staff to do analysis of the market on their own. REP has also underlined the importance of giving businessmen and women training before credit in its work with NGOs. Training in credit management is critical to REP to ensure financial accountability with entrepreneurs who have limited credit records or more often none at all. REP has also documented these procedures in manuals for training and field use.

Recommendation: SSE specialists and project designers should take advantage of the REP experience in Kenya and its materials on market analysis for small firms and training for credit.

Conclusion: REP is one of a number of innovative small enterprise projects around the world that are pushing forward the frontiers of development in this sector. These projects could benefit from linkage with one another. Two Kenyan staff from REP visited the Grameen Bank in Bangladesh in 1985 and was useful in giving new perspective on their work in Kenya. Indonesia's Central Java Enterprise project working with vertically integrated small industrial sub-sectors, Senegal's Enterprise Development credit-led project or ADEMI's group lending project in the Dominican Republic could both teach and learn from REP.

Recommendation: REP innovation resources should be used to constructively link the growing number of worldwide projects, through exchange visits, conferencing, electronic networking, or even shared technical assistance to third countries.

Mid-Term Evaluation of the
Rural Enterprise Program of the
Rural Private Enterprise
Project (615-0220)
Kenya

APPENDICES

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RED GRANT SCHEDULE
AS AT MAY 1987

Appendix I

LIST OF REP SUB-PROJECTS

PROJECT NUMBER	GRANTEES NAME	DATE GRANT APPROVED	REVIEW COMMITTEE MINUTES No.	GRANT OBLIGATED	GRANT OBLIGATED
				KSh	$
001	National Christian Council of Kenya	Feb 13.85	NS 19/85	753,216.00	$49,651.68
002	Appropriate Technology Advisory Committee	Feb 13.85	NS 18/85	195,553.00	$53,574.16
	Appropriate Technology Advisory Committee	May 2.85	NS 28/85	658,257.20	$0.00
003	Kenya Women Finance Trust	June 11.85	NS 36/85	2,902,250.00	$174,2[illegible].47
004	Jisaidie Cottage Industries	June 11.85	NS 35/85	1,100,000.00	$66,3[illegible]
005	Appropriate Advisory Committee	June 11.85	NS 37/85	3,574,792.00	$2[illegible],923.27
006	Maendeleo Ya Wanawake Organization	August 8.85	NS 19/86	578,000.00	$34,861.[illegible]
007	Daraja Trust Ltd	August 8.85	NS 40/85	476,050.00	$27,121.[illegible]
008	Young Women Christian Association	August 8.85	NS 42/85	255,000.00	$14,[illegible]
009	Diocese of Eldoret	August 8.85	NS 43/85	89,835.00	$5,240.34
010	Maendeleo Ya Wanawake Organization	August 8.85	NS 43/85	116,500.00	$6,[illegible].49
011	Presbyterian Church of East Africa	August 8.85	NS 45/85	378,000.00	$22,0[illegible].05
012	Diocese of Eldoret	April 17.86	NS 13/86	3,116,977.50	$194,702.83
013	Ukwani Community Development Centre	April 17.86	NS 14/86	5,283,198.00	$330,168.92
014	National Christian Council of Kenya	April 17.86	NS 20/86	11,724,293.00	$73[illegible]
015	ICIPE Conference	July 31.86	NS 32/86	95,500.00	$5,935.81
016	Meru Tinsmiths	July 31.86	NS 33/86	20,000.00	$1,243.10
017	Salesians of Don Bosco - Embu	August 14.86	NS 37/86	61,100.00	$3,797.67
018	Partnership for Productivity Kenya	Nov 3.86	NS 48/86	5,191,800.00	$323,[illegible]
019	Maryknoll Fathers - Bura	Oct 30.86	NS 47/86	890,000.00	$54,675.3[illegible]
020	PCEA - Chogoria Hospital	Dec 10.86	NS 54/86	5,955,293.00	$370,[illegible]
021	Wanyanyi Home Economics Group	Jan 27.87	NS 9/87	110,930.00	$6,907.35
022	Tetuto Home Industries	Mar 12 87	NS 20/87	2,528,304.00	$157,620.02
005	Appropriate Technology Advisory Com. (Deobligated)	Mar 12 87	NS 22/87	-3,574,792.00	($222,800.38)
023	Consolata Society and Ruiru Catholic Mission	May 14.87		1,566,970.00	$96,[illegible]
024	Isiolo Deanery of the Catholic Diocese of Meru	May 14.87		3,897,725.00	$239,040.64
025	Salesians of Don Bosco Ltd.- Embu	May 14.87		5,410,390.00	$331,[illegible].74
					($14,[illegible].10)
	TOTALS TO DATE			53,435,201.70	$3,27[illegible]
	TOTAL PROJECT FUNDS			68,483,940.00	$4,200,000.00
	BALANCE			15,048,738.30	$924,[illegible]

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Appendix II

Kenya Rural Enterprise Program
Budget RPF Year 1 to 5

(US $ '000)

	May84 to Apr85	May85 to Apr86	May86 to Apr 87	May87 to Apr88	May88 to Apr89	Line Item Changes	acc on	Total REP
1. Staff Costs	161	195	184	171	169		271	1,151
2. Consultants	6	6	6	5	6	85	16	131
3. Programme Support Costs	213	177	168	155	233		316	1,262
	380	378	358	332	408	85	604	2,544
4. PFP/I Subcontract	74	75	79	84	88	(85)	0	315
	74	75	79	84	88	(85)	0	315
5. Grants	1,500	1,240	1,460	0	0	0	0	4,200
6. Loans	0	0	0	0	0	0	0	0
	1,500	1,240	1,460	0	0	0	0	4,200
	1,954	1,693	1,897	415	496	0	604	7,059

Appendix III

CASE STUDIES

Salesians of Don Bosco Ltd.-Embu

Setting and Challenge:

The Salesians of Don Bosco Lt. Sub-project is in the Catholic Training and Vocational Centre, eight kilometers from Embu, in Eastern Province. It was established and incorporated in Kenya injanuary 1984 and has received support from the salesians, the Italian Government and other donors. The Centre provides training to poor youth, generally 18-25 years old, who come from the semi-arid Mbere area. Training is provided in both a four-year and one-year crash course. The four-year program is a yourth polytechnic/secondary education in agriculture, wood and metal working, masonry and other areas. The one-year course graduated 38 boys in its first class in April 1987 in carpentry, metal work and masonry. However, gainful employment is difficult to find. Establishment of a business is constrained by lack of capital, management assistance and self-confidence. The Centre, under the leadership of Father Vincent Donati and Father Gabriel and with REP support, is attempting to bridge this gap by assisting selected boys to establish enterprises.

Project Description and Objectives:

The objectives of the sub-project are to genrate employment and increase income among youth through enterprise development. The Centre has established an Enterprise Development Unit and a revolving loan scheme. Some of the trainees, from both the four-year and one-year programs, will have the opportunity to set up cooperative businesses, in groups of perhaps twenty. About 130 entrepreneurs are expected to be established around the Centre during the two-year project. The Centre has chosen five sectors of focus: food processing, bakery, wood work, metal work and printing, all supported by REP. The youth will receive basic training in business skills and finance for small business.

REP Assistance:

The REP Board has approved Ksh 5,410,390 (US$331,809) for establishment of a revolving loan fund (initially capitalized at Ksh 900,000), initial capital for purchase of machinery, a workshop shed, a three-ton truck to haul materials and project administration. The Centre will provide over Ksh 2.8 million to the project. The new entrepreneurs will apply a portion of their earnings to repay the cost of the equipment provided to them into the revolving fund. Loans from the fund will be at commercial rates. All entrepreneurs will be expected to set up bank accounts awith Barclay's Bank in Embu. REP will fund a business manager, a project accountant and a driver for the first two years. REP will also provide technical assistance in the form of training of project staff, adaptation and installation of credit and accounting systems, project consultant services. REP has already provided a food processing technical/market analysis.

Project Status:

At the time of the evaluation, the Centre was just about to receive the REP grant. It had located an excellent prospective abusiness manager who had run his own business and was said to be very capable. The Centre, an impressive facility, was operating its regular trining courses and several prospective entrepreneurs seemed to be available. The quality of the technical training and accomplishments of the trainees in only a matter of months were outstanding. The vest should be very skilled in their trades.

Issues:

Is the sub-project cost effective? REP budget costs alone represent $2,552/entrepreneur if the program produces 130 in two years. eai costs to REP and the Centre might be doubl that figure. Of course the project hopefully will go on beyond 1989 and will amortize the cost. Centre staff and REP should calculate per entrepreneur costs and determine if in the long run it can be significantly reduced. They should also determine if this cost is the same as the cost per job created. Is the local economy going to be significantly affected by the job generation? Economic analysis would be appropriate at some future date. Also, all the entrepreneurs will be new in their businesses, of course, and thus more vulnerable than established businesses. The Centre at some point will probably face the difficult task of letting fo of former trainees to have them stand on their own as independent businessmen.

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III: Case 2

NCCK: Small Business Scheme, Nakuru

Setting and Challenge:

The National Council of Churches of Kenya received a grant of 11,724,293 in January of 1987 to provide small business technical assistance in the Kisumu, Nakuru and Mombasa regions. Disbursement of those loans will begin next month (July) and will be used to establish a revolving loan fund. Loans will be administered through commercial banks.

We visited the NCCK Small Scale Enterprise Project in the town of Nakuru which has assisted 108 small businesses from September of 1981 through June of 1984. The project ran out of money at that time when the USAID three year grant was completed. REP approved new project funds in December of 1986 which will be allocated in the ext few weeks.

In 1981, NCCK Nakuru made 25 loans for a total of Ksh. 40,000. The loans were made at 5% interest and the repayment period varied from three months to three years. Eighty percent of those loans were recovered. An estimated 10% of the defaults are believed to be recoverable and 10% will be written off as bad debts.

In 1982, NCCK Nakuru made 31 loans for a total of Ksh. 66,900. The loans were made at 5% interest over a repayment period ranging from three months to three years. Seventy-five percent of those loans were repayed. An estimated 15% of the defaults are believed to be recoverable and 10% will be written off as uncollectable.

In 1983, NCCK Nakuru made 9 loans for a total of Ksh. 21,000. They were made at eight percent interest and 80% were repaid. They were made for a period of three months to there years. The Nakuru office estimates that half of the 20% loans which defaulted are recoverable and the remaining 10% are lost.

In 1984, NCCK Nakuru made 43 loans for a total of Ksh. 158,700. They were made at eight percent interest and only 50% were repaid. This high default rate was blamed on a severe drought which affected most of their clients who sold farm produce. Several of these businesses have closed permanently. These loans were made for a period of three months to three years. The Nakuru office expected to be able to recover 30% of the loans outstanding and anticipates losing the remaining 20% of the defaults.

Project Description and Objectives:

This project provides loans and technical assistance to small businesses. The technical assistance is in bookkeeping, marketing, inventory control, sales management, costing and sales promotion. The businesses receiving advice include fruit and vegetable venders, retail shops and kiosks, fish mongers, charcoal makers, carpenters, furniture makers and dress makers.

NCCK Nakuru has learned that small businesses which produce products (furniture and dresses) have a much higher loan repayment rate than people selling fruits and vegetables. Both are seasonal activities. Plums are sold from December through January, Oranges from July through August and pears from April through May. The vegetable season is from May through July. The jobs created are temporary (sellers hire one or two people) who earn about Ksh. 600 during the season. The owners of these fruit and vegetable stores are able to earn from Ksh. 700 to 1500 during that season. The market is flooded during the seadon which forces prices and profits down.

Owners of furniture shops have a gross sales of some Ksh. 7,000 a month and a net monthly profit of Ksh. 3,000. These are average estimates which change depending on the size of the shop, number of employees and the amounts and types of machinery used. The average number of employees is two and they earn an average of Ksh. 10,000 a month on a piece work basis. Owners of larger furniture making shops have from five to ten employees and ate able to earn net profits ranging from Ksh. 20,000 to 30,000 monthly.

Very few women are employed in furniture making (about 20% of the workforce). Tailoring employees the most women who comprise about 60% of those employees. NCCK Nakuru made no production loans to women. Only about 30% of the tailoring shops are owned by women although they comprise over half the employees.

We examined tailor shops in the small, medium and high categories. The small shops (one to two employees including the owner) had gross sales averaging Ksh. 5,000 a month and net profits of Ksh. 2,000 monthly. The medium sized shops (3 to 4 employees including the owner) had gross sales of Ksh. 7,000 and net profits of up to Ksh. 3,500 a month. The large tailor shops (5 to 8 employees including the owner) had gross sales of Ksh. 10 to 20,000 a month and net profits ranging from 5,000 to 8,000 a month. NCCK Nakuru has made no loans in this category.

An estimated 60% of their loans are made to enterprises with one to two employees, 20% in the 3 to 4 employee category and 20% to small businesses with from four to five employees. An estimated 70% of those loans were made to established (one to five years experience) businesses and 30% to newly established businesses. New clients are referred by the pastors of local churches who know the people well and estimate their abilities.

REP Assistance:

All members of the staff are paid with REP money. NCCK Nakuru has no other source of funding. The staff is composed of one Business Promotor who is paid Ksh. 3000 a monthly salary plus a housing allowance of Ksh. 1500 (total of Ksh. 4,500). There are two new employees who started work in May of 1987. The office had no information o the salaries of these people. There is also a social worker who earns Ksh. 2, 200 a month. She screens the applicants recommended by local pastors by making home visits to check on cleanliness, health of children, nutrition levels, wife and children's clothing, and whether the children attend school, etc. She is pleased with her job, although she could make twice as much in Nairobi.

The social worker gave the following profile of the clients with whom she is working:

- 80% have completed elementary school and 20% have from 0 to three years of education.
- 90% can read Swahili and 25% can read and write English.
- All are capable of counting money, adding, substracting multiplying.
- There is an average of six children per family.

All of the staff people with experience on the project had been trained by REP and they all felt they were more effective as a result of what they had learned. The Business Promoter said that before REP training (1985) his project appraisal skills were very low. He was limited to small vegetable and fruit kiosks and is now able to appraise projects with as many as 25-30 workers and assets of up to Ksh. 400,000. His knowledge of marketing was very basic ("a market is where goods are bought and sold"). Now he is able to appraise the people, prices and locality of the market and give good advice. As a result of his training, clients now pay themselves a salary rather than mingling sales money with the household account and 65% (previously none) have bank accounts. His estimate is that 40% of his clients are highly successful in running their businesses, 25% are in the mid range and about 35% are experiencing problems.

Project Status:

We visited two of his clients to get their reaction to the technical assistance they have been receiving and whether or not it has made a difference.

Mr. Joseph Kibiue Kingori is the owner of the Urafiki furniture store in Nakuru. He has four employees and received a loan of Ksh. 5,000 in 1984. He has repaid the loans at 8% and would be willing to pay 16 to 18% for another loan.

With that loan he was able to increase his production by 70%, profits went up by 75% (his monthly net profit is now Ksh. 4,000) and he was able to hire three new workers. He has purchased a new lathe and is able to produce more furniture of better quality.

We visited a dressmaker who borrowed Ksh. 4,500 in 1982 and now has one more payment of Ksh. 300 and the loan will be paid. He had one worker and one sewing machine when he received the loan and now has four machines and four workers. His workers receive from Ksh. 700 to 1,000 a month on piece work and he is able to pay Ksh. 700 a month for rent and Ksh. 100 for electricity. He was reluctant to state the amount of hi gross and net profits, but said the business was doing well.

Issues:

The project has not received new loan funds since 1984 when the project was completed and new loan funds are not expected to arrive for a few weeks.

There have been problems in ceiling selection, loan defaults and up-grading of technical assistance skills. However, it is clear that the staff's competence is improved along with their self-confidence. They recognize their past mistakes and feel that performance on the second round of the project will be much better. There is no doubt that clients have used the loans they received to good advantage in may if not most cases. Both profits and employment have been generated.

The poor performance of fruit and vegetable venders will cause them to be excluded in the future as clients. The type of business (seasonal and with a loaded market), plus the drought were major factors in the overall performance of the protfolio.

The small businesses owners we talked with said that would be willing to accept a higher interest rate (16-18% rather than 14%) and want to borrow larger sums of money for a longer period.

One lesson is that it takes time and much training to upgrade credit and technical assistance performance. REP's training has been well received and is considered valuable.

The inability of NCCK Nakuru to generate any funds to defray its technical assistance expenses leaves it dependent on REP which is its only funder. This will take much time to improve.

III: Case 3

Kenya Women's Finance Trust (Nakuru Branch)

Setting and Challenge:

The Nakuru branch of Kenya Women's Finance Trust (KWTF) receives no money from the kenya Rural Enterprise Program (REP). It was funded for two years by the US African development Foundation (ADF). That grant endes this month (June of 1987). Nakuru KWFT will request additional project funding from ADF and has no alternative funding sources nor ability to significant funds locally.

Project Description and Objectives:

The Nakuru Branch of KWFT provides credit and training to women who own 50% of a business, have experience (10 years in many cases) and have a bank account. They charge 12 1/2 interest on loans from Ksh. 6,000 to Ksh. 19,000. All 22 of their loans are in this category. KWFT Nakuru charges 10% on loans of Ksh. 12,000 to 5,000 and 14% interest on loans of Ksh. 20,000 to 100,000. They have three guaranteed loans at 14%.

KWFT Nakuru has made 22 loans for a two year period beginning in September of 1986. At present, there have been no defaults and two loans are considered delinquent. One loan to a butcher shop is three months late and one to a maize grinding mill is one month late. The woman who owns the butcher shop is disabled and has been having a lot of family problems. Another factor was a cholera outbreak during April and May which caused the store to close.

REP Assistance:

REP has not funded KWFT in Nakuru. REP's Project Review Committee approved a grant of Ksh. 2,982,250 for the national office of KWFT in June of 1985. In February of 1987 REP trained 42 staff members of KWFT for one week and is providing on-going follow-up monitoring to see if these skills are being applied.

Project Status:

Nakuru KWFT is completely dependent on the African Development Foundation grant which expiries in two days. They have been unable to develop new sources of funding and locally they are able to generate only token amounts of money.

The branch office now has a paid staff of five people. The Program Coordinator receives $7,000 a month, the typist 1,700, the driver 1,500 and no salary figures were available for the two extension officers.

Issues:

The KWFT may have to temporarily closed its branch office in NaKuru because here is no funding available to cover operating expenses. They estimate that when funding resumes it will take from two months to three months to recruit new people. It is not known how long it will take to receive new funding or even if that will happen. Discontinuing operations could adversely affect the repayment rate because people may believe the operation has been discontinued and there is no further obligation to repay.

Neither KWFT Nakuru nor the national office have any internal ability to generate operating capital. Both are totally dependent on donor organizations. The national office has dicresified funding sources but the branch office does not. This makes sustainabiliry a key concern and risk. There is considerable support in the development community for funding a women's bank in a country where women have been traditionally denied access to credit. However, the national office now has a 50% loan indefault rate which could make the project less attractive if performance does not improve.

The Nakuru branch says that the 12 and one-half percent interest they charge is "not enough to cover" the office expenses. The loan program could charge higher interest because clients interviewed said they were willing to pay 16 - 18%. However, this can not cover training and technical assistance expenses. The branch office now estimates that they "might be able to make it to September" if a new source of funding is not found immediately.

III: Case 4

Reru Tinsmiths, Kisumu

Setting and Challenge:

This project is a group of 27 men who purchase scrap metal which they use to make hoes, pangas (machetes) and knives for sale to local farmers. REP made them a conditional grant (funds must be reinvested in project) which was used to buy basic tools needed to increase and up-grade their production. They got the money and bought the tools a month and one-half ago (May 1987). Now the group is receiving techical assistance from the local office of the National Council of Churches of Kenya (NCCK).

Project Description and Objectives:

The Reru blacksmiths are located some 26 miles from the town of Kisumu in a small community which can only be reached by dirt roads in poor condition. They are accustomed to working in groups of five because the production process requires it. However, they formerly bought scrap metal separately, sold their hoes and pangas separately did not have individual or group bank accounts. Rebuilding their production shed with materials provided by REP was their first group activity.

The blacksmiths travel into town to purchase scrap metal which costs them from Ksh. 3.50 to 4.00 a kilo. Ten kilos of scrap metal is enough for five people working together to produce 13 hoes a day which sell for between Ksh. 15 and 25 each. Using a 20 day work month and Ksh. 20.00 as the average price, gross profits are Ksh. 5,523.

During the planting season (December through april and again in August) they are able to sell 100% of the hoes produced. During their down season (May through July) they have always been able to sell more than half of what they produce. They have not had to carry stock more than three months without being able to turn-over their inventory. Their costs run from Ksh. 2 to 5 depending on the number of people buying tickets for admission to the central market plus transportation expenses.

The Reru blacksmiths, working in groups of five, are able to make three pangas in one day. They sell for from Ksh. 20 - 35 each, depending on size, which generates Ksh. 800 for each blacksmith in a 20 day work month.

The blacksmiths have both price and quality advantages in the marketplace. Their hoes are lighter than those made by local competitors and they last twice as long (12 rather than 6 months on average). Hoes made by local competitors and others in Nairobi break easier and the Reru blacksmiths repair what they produce which is a service not offered by their competition. The hoes and pangas are also slightly cheaper than those made by local individuals and groups in the market area.

REP Assistance:

REP has made two follow-up visits to the project, but the majority of technical assistance is being provided by the local NCCK Small Business Promoter. This is far more cost-effective than attempting to provide technical assistance from REP's Nairobi office.

The promoter worked with the blacksmiths to get a list of the tools they considered most essential. Then they went into town to talk with blacksmiths and developed a short list of the tools they could afford to buy. They also toured local markets to determine what other types of metal products they could produce and sell profitably. The answer was to diversify into the production of hinges, door bolts and lockable metal boxes which children use to carry their school books and cloths. These boxes are light weight and serve the same function as lockers in US schools.

The small business promoter is working with the group on a formula for profit-sharing which includes a group investment fund to defray the costs of product diversification and marketing. Individuals will receive income from their sales for living expenses and the rest will be used to recapitalize this community production enterprise.

Project Status:

The Reru blacksmiths now have a refurbished storage area, improved tools and preliminary market survey information. They report that production and sales have increased by 20% as a result of the technical assistance they received through REP.

Issues:

The Reru blacksmiths work together because the production process requires a five person team to perform all of the functions. However, they have a long history of acting as individuals in sales and purchasing scrap metals. They will have to see short-term, tangible benefits from cooperative marketing if they are to be motivated to develop a group identity. Slightly cheaper volume discounts on scrap metal purchases or minor income increases will probably not be sufficient. Significant benefits resulting from product diversification resulting in higher income and standard of living benefits can be expected to convince them. The use of the group fund for health and social benefits would be another factor.

However, the gains that are being made are significant when the relative poverty and inaccessibility of these beneficiaries is taken into account. They are removed from the tarmac and are strongly independent people with a will to succeed on their own.

III: Case 5

Lugari Enterprises Development Program
PfP Kenya in Chekalini

Setting and Challenge:

The farmers in Chekalini live in a fertile area and have much experience growing maize. Their problem is that they are dissatisfied with credit available from the government's Agricultural Finance Corporation and the Cereal Board which markets their maize.

The Chekalini farmers brought their crop to the Cereal Board in November of 1986. Seven months later (June of 1987) they have still not been paid and may have to wait up to a year. Their shortest wait has been four months. As a result of these delays, farmers are required to borrow money, sell cattle or even sell part of their land. They are also unable to get operating capital to buy feed and fertilizer to plant next year's crop. Kenyan law prohibits these farmers from marketing their maize themselves or selling to local millers. They are close to the Uganda boarder, but hey are also prohibited from selling crops in that country. Even if they did this illegally, Uganda shillings are not negotiable in Kenya.

The farmers are also experiencing serious problems with the Agricultural Finance Corporation established by the government to provide loans. The office is located in the town of Komega which is 63 kilometers away. It costs 60 KS to travel to the AFC office, plus the cost of lodging when it's not possible to return the same day. Farmers complain that they must make several trips and are told to return later to have their loan applications processed. The average time required to get a loan is two months. Farmers estimate it costs them 2,000 KS for travel and lodging expenses during the two month period required to get a loan.

The AFC charges 14% interest on loans which is the commercial rate. Farmers are required to have title to their lands and the loan limit is 750 KS per acre. The average farmer has eight acres of land. Most of the farmers do not have title to their land and don't qualify for loans based on ownership. None of the women can qualify for loans because they have been traditionally prohibited from owning land. When titles exist they are in the husband's name. 200 of the project's 428 farmers are women and 25% of them are heads of households. Other farmers in Chekalini have land leased from the government over a 99 year period. PfP is urging them to pay off the land and gain title.

The next major problem faced by local farmers is post harvest crop losses due to a lack of storage facilities. When rain falls on a bag of maize it can be ruined.

Farmers estimate that they lose 50% of their crop during the two month rainy season. They also estimate that pests such as monkeys, porcupines, moles, weavils, stock borers, cutworms and bettles eat from on-quarter to one-third of their harvest. They harvest in October and sell their crop three to four months later. Farmers say these pests are capable of eating an entire harvest in three months time. They don't use pesticides because that would cost 400 KS for the season and they can't afford it. Buyers will not accept crops which have been damaged by pests. The Cereal Board buyers pay from 150 to 170 KS. But if its damaged they may be able to sell it locally for 120 KS, minus 50 KS required for transport costs. Farmers estimate that they lose 50% of their crop as a result of damage from pests which is in addition to losses from rain.

Farmers who are unable to pay existing AFC loans due to crop failure or losses do not qualify for a second loan and must resort to selling cattle or parts of their land if they have titles.

<u>Project Description and Objectives:</u>

PfP Kenya received a grant of 5,191,860 KS to implement the Lugari Enterprise Development Projects which includes a revolving loan fund so farmers in the project can buy agricultural inputs on credit from their own store. A storage facility will be built and the project will use a tractor to generate income by providing transportation and ploughing services.

<u>REP Assistance:</u>

REP has made follow-up visits to Chekalini, but the majority of technical assistance is being provided by the local PfP office which is competently staffed. REP has also provided training in credit management and marketing to up-grade key skills and improve the performance of PfP Kenya.

<u>Project Status:</u>

400 clients have received loans in the form of farm inputs. PfP processes these loans in two to three weeks, rather than the two month average time needed to get an AFC loan. The loans are also provided at the commercial rate of 14%. The price of fertilizer and other farm inputs such as

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ammonia for top grazing and seeds are controlled by the Kenya government. Farmers are able to save the cost of transporting these inputs and making repeated trips into town to apply for an AFC loan.

The government of Kenya has donated the land on which the storage facilities and farm input store will be built. Plans have been drawn and the ground has been leveled in preparation for construction of the foundation. They estimate that the building will be completed one year from now (July, 1988).

The farmers will contribute voluntary labor by carrying sand, stones and water from the river to be used in construction. Work on the building will be done by local contractors. PfP and the farmers estimate that the value of their voluntary labor will be 250,000 KS. 500 people (half the total number of beneficiaries) will work 10 hours a week for 26 weeks, which is 130,000 person hours. A day laborer earns 20 KSH a day for a five hour day. This brings the total value of the voluntary labor to 520,000 KS.

The farmers report that because PfP provides farm input loans about three times faster than AFC, they are able to plant crops on time and increase their yields. "Since we joined them we save enough for ourselves to eat. Before we were hungry. Most members have saved enough to educate our children as a result of no longer having to pay for travel and lodging. Our output has doubled," the beneficiaries explained. The women report that they are able to keep hat they earn from farming and use it to improve the children's nutrition, pay school fees and improve their homes.

The project reports constant growth. There were 53 members in 1984 when the project began and they now have 428. Another 200 people from neighboring communities have asked to join. PfP staff members and the membership say they want to put a ceiling of 1100 on the organization to avoid its becoming too large and reducing benefits. Farmers in other communities are encouraged to start similar organizations and can receive help from REP and the local PfP office if the project is found to be feasible. The plan is to graduate current members to commercial bank loans in three years.

The project has an income-generating scheme to off-set its operating expenses. They plan to buy a tractor in the next three months which will be used on a fee basis for ploughing, transportation of crops and to operate small milling operations. During the first year, the project expects to earn:

- o 510,000 KS in rental fees
- o Minus 318,061 in direct costs

- Gross profit of 191,939 KS
- Minus 70,246 of operating expenses
- Projected profit of 121,693 projected yr. one profits

During the second year, the project has the following cost and profit projections:

- 636,000 KS in rental fees on the tractor
- Minus 332,525 in direct costs
- Gross profit of 393,475
- Minus 77,271 of operating expenses
- Projected profit of 77,271 projected yr. two profits

Issues:

This project has an internal revenue-generating component to off-set administrative overhead expenses. This is a progressive attempt towards incremental self-sufficiency. It recognizes that dependence on donor funds or government support is a risk to be minimized or avoided to the maximum extent possible. This project component will be closely monitored by both REP and PfP because of its importance.

REP provided good advice by recommending this project start with one tractor rather than several which had been discussed originally. In this way, the viability of this approach can be determined with less sunk costs and the cost-effectiveness of various functions (ploughing, transport and milling) can be determined by doing a comparative revenue analysis.

This type of revenue generating approach depends on the amount of productive use versus probable down time. PfP estimated that down time may be five months. He added that it would take two years to share the tractor among all of the farmers in the project which is not feasible. His doubts are constructive and will either be reinforced or dispelled through close monitoring.

He also questions whether the $300,000 KS required to buy the tractor would be better used by purchasing an estimated 40 team of oxen with full spanner plows. The counter argument was that the tractor is fast and more productive and can be put to other income-generating uses. There is always a temptation to recommend low technical animal power over high tech tractors and machinery. But REP is wise in guarding against knee-jerk judgements that low tech is always a better option. This presents a good opportunity to examine the relative cost-effectiveness of this suggested approach.

Another positive aspect of this project is that it charges a service fee f 6% on top of the 14% commercial loan interest rate. Our interviews showed that clients would pay higher costs if they receive the funds quickly and are able to reduce previously high transaction costs. Their most pressing concern is the amount of the monthly payment which is a function of the length of the loan period.

REP's initial approach was to build income-generating components into projects to improve the potential of NGOs to become self-sufficient. The REP Board raised legitimate objections based on considerations such as displacement effects for local businesses and the need to put priority on reaching the poor directly. These are valid development concerns for which the REP Board should be commended. However, this type of income generating capability is essential for NGO institutional sustainabiliry and should be analyzed openly on a case-by-case basis rather than being given secondary importance across-the-board.

III: Case 6

Tototo Home Industries of Mombasa

Setting and Challenge:

Tototo Home Industries of Mombasa has been working with community groups and business projects throughout the Coastal Province of Kenya for over 20 years. Tototo has developed over 45 community groups with successful projects in water supply, community health, savings clubs, adult literacy, family planning and child care. Tototo also provides business training in management, financial analysis, business planning, budgeting, costing and feasibility analysis. They estimate that 80% of the businesses they have assisted have become profitable.

Their track record is enviable. However, Mrs. Elvina Mutua, Director of Tototo's Rural Development Program, explained that they are completely dependent on grant funds to pay salaries of trainers and administrators. She explained that they want to be able to pay "some percentage" of those costs. However, to do that their sales volume would have to almost double from (1 million and 250 thousand KS to two million or more KS).

Project Description and Objectives:

Tototo has a staff of seven trainers. Six of them train community groups in needs assessment, project planning, problem identification, problem solving and leadership. The other provides training in credit management, loan appraisal and bookkeeping. Training of leadership groups began in 1985 and Tototo began its full service business management extension services in 1986.

Tototo's trainers report that village groups can now sit and discuss problems, make plans to solve them and solve those problems themselves. Fifty percent o the 45 groups Tototo has trained since 1978 can do all three. 30% of the others have medium skill capabilities and the remaining 20% have low performance capabilities in those three categories.

These groups have an average of 25 to 30 people, 95% of whom are women. 95% of these women have no education. The remaining 5% have only an elementary education. 30% are estimated to be functionally literate (able to sign their name and read at a basic level). 30% are numerative (can add and subtract simple numbers). 50% are female heads of households.

Most of the women were able to earn only 200 KS a month by selling fruits and vegetables. Kenya has no legal restriction on the participation of women in society. However, women are traditionally seen as subservient to men and give the money they raise to their husbands who determine how it will be spent.

REP Assistance:

REP gave Tototo Home Industries a grant of 3,800,362 KS on May first of 1987 for a two year period. The purpose was to improve Tototo's on-going credit program by extending loans to 15 women's groups to start businesses. Funds were also provided to hire a Marketing officer and a Designer to 30 groups so they can increase the quality and quantity of production and expand sales revenue. They will also hire a consultant to examine the feasibility of joint-venture capital activities.

Project Status:

Tototo produces three types of crafts as a means of creating income generation opportunities for women in the coastal area.

- Raffia (palm fond waving) employs 300 crafts artisans. 90% of them are women who earn an average of 300 KS a month each during the high season (6 mos. a year) and 50 KS a month for the other six months. These women are from rural areas.

- Tie Dye employees 20 to 25 urban women. Many are abandoned, divorced, widowed or unmarried. 50% of the craft workers are female heads of households. They work on a piece work basis. These women can earn 500 KS a month during the six month high season and 300 KS a month during the low season.

- Women who produce crafts by working with sisal fibre live in the community of Taita Hills which is some 120 kilometers from Mombasa. They are paid on a piece work basis depending on the size and number of handbags they produce. During the six month season (from Nov. through March and again during the August holidays) they are able to earn about Ksh. 300 a month. They have no other employment opportunities and depend totally on this seasonal employment.

All of these crafts are sold through Tototo's only retail outlet which is located in Mombasa. The store is now being rented from the East African Power and Lighting Company (a parastatal) at a cost of Ksh. 1000 a month. This is a token rent, far below the commercial rental price. However, the Tototo crafts outlet store must move next year and the management estimates that their new rent will increase to Ksh. 10,000 a month. They are forced to move because EAPLC needs the property for expansion purposes. The management estimates that increasing their rent by 10 times "would be a serious problem" but they feel they can overcome it.

The retail crafts outlet had a sales volume of Ksh. 900,000 during 1984-85. In 1985-86 the sales volume was estimated at Ksh. 1, 250,000. Management estimates that sales must be Ksh. 2,000,000 or slightly above to cover their costs.

REP provided funding for a marketing person who earns Ksh. 10,000 a month and a designer who earns Ksh. 6,000 a month. They were both hired in May for two years. It is too early for their efforts to produce an impact in terms of high sales income. However, their performance will be the key factor, along with technical assistance from REP's excellent marketing consultant, in allowing the crafts outlet to generate significant profits. Tototo is now completely dependent on donor funds and will not be able to become even partially self-sufficient unless sales volume can be increased significantly and sustained.

The newly hired marketing consultant and store manager listed the following impediments to expanding sales volume:

- There are some 400 kiosks in the same neighborhood which sell the same items at lower costs because they have no overhead expenses.

- The time and effort Tototo spends up-grading product quality does not result in value-added because tourists do not recognize higher quality and shop on the bias of price alone.

- Competing Indian shopkeepers have usually inherited their stores from their family and do not have to pay rent which gives them a cost advantage which can be reflected in pricing.

- The Tototo crafts outlet pays the local government for licenses to make and sell some items which are controlled. Kiosk owners do not make these payments but are not prosecuted apparently for political reasons because they comprise a large constituency.

- Intermediaries travel in the areas where crafts are produced and pay much less than Tototo for the same or comparable products. These competitors are not trying to develop crafts producers into economically viable groups and pay exploitative prices to producers.

The Tototo marketing consultant has changed the way customers move through the store and improved the physical appearance by painting it. He is currently considering the following ways of increasing the store's sales volume:

- He plans to examine the feasibility of selling Tototo crafts wholesale to local shops.

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o He also plans to examine the feasibility of export and mail order sales efforts.

The newly hired designer sees the need for product diversification and is trying to find a product which is exclusively made by Tototo or is so distinctive that buyers will identify it with Tototo.

Tototo also has a credit program which provides a revolving loan fund for artisans and other members of the organization. Tototo made ten loans in 1986. They charged an interest rate of 10% with a repayment rate of 90 t0 95%. The current delinquency rate is 5%, defined as borrowers who are an average of two months late in repayment.

<u>Issues</u>:

Tototo's trainers are paid a competitive salary which averages Ksh. 2,000 a month. The organization has not had the problem of training trainers only to have them hired away by competing organizations which can pay higher salaries. The starting salary for a university graduate in Kenya ranges from Ksh. 3,000 to 5,000 a month. High school graduates make from Ksh. 1,500 to 3,000 a month. High school graduates make from Ksh. 1,500 to 3,000 a month depending on their trade or special training. Five of Tototo's trainers have high school educations and two have completed elementary school.

The organization is sincere in fulfilling its stated objective of generating sufficient income to become at least partially self-sufficient. They plan to raise funds by selling their services as business consultants and charging for training which is now offered free. They plan to raise funds by selling their services as business consultants and charging for training which is now offered free. They explained that the consulting plan "has received a lot a very encouraging enquiries and one which may be nearing finalization". However, at this time they have no signed contracts. The training plan is to charge Ksh. 42,000 for a four week training session and follow-up training for one year. There are also no contracts for this service and it is not possible for us to assess the potential market at this time.

Product diversification and significant penetration of new markets will be required to up-grade sales income to the point where incremental self-sufficiency appears probable. REP should focus the services of its excellent marketing consultant on this challenge to determine what level of expectations are realistic and help achieve them.

The work of this organization is very innovative and they have well established outreach in many communities. The use of graphic symbols to teach bookkeeping at the small village level is one example of how effective they have been in serving community needs. Also, Mrs. Mutua show a very high level of social commitment balanced with a practical financial attitude. She appears capable of coping with the challenge of marketing with apparently inexhaustable energy and confidence in herself and the organization.

III: Case 7

Upweoni Community Development Center

Setting and Challenge:

The Small Scale Enterprise Development Scheme at Upweoni Community Development Center is run by the Methodist Church in Kenya. The Center provides training on masonry, brick making, tailoring, painting, and sign writing. An average of 80 trainees graduate every year with Government of Kenya Trade Tests in their respective skills after two year training. An advance course leading to Grade I takes a further one-and-half years. After training then what? Meaningful employment is hard to find. Even these graduates who wish to start their own business are constrained by lack of capital and good business advise. Given their background of poor education, prostitution and as tourist guides and beach boys, they lack skills and self-confidence. Under the leadership of the Center Manager and Business Enterprise Co-ordinator with the assistance from REP, the Upweoni Community Development Center is attempting to develop self employment among youth. Future plans for the business unit is to service Kwale and Tana River districts.

Project Description and Objectives:

The objectives of the sub-project are to generate employment and increase income among youth through enterprise development. A Small Scale Business Development Unit has been reated. The Unit has received loan applications from the old graduates. The loan review committee has been appointed. It will review the applications and approve approximately some 70 soon. The expectation is that 22 youths in groups of 4 and 8 will be trained in business skills and receive a loan totalling Ksh. 200,000. A maximum of 60 to 80 youths will be assisted blurring the second and subsequent years.

REP Assistance:

Up to Ksh. 5,283,198 ($330,168.92)has been approved by the board. Of this amount Ksh. 1,650,000 is for the Revolving Loan Fund. The balance is broken down into the following line items: Personnel costs Ksh. 1,620,360; Travel and Transport Ksh. 121,768; Consultants Ksh. 250,000; Direct Program Costs Ksh. 86,180; Capital Expenditure Ksh. 3,159,298; Raw Material Ksh. 279,000; Training Workshops Ksh. 173,600; and Audit Ksh. 66,200. A marketing analysis has already been provided by REP. A further add-on budget of Ksh. 1.4 million is needed for outside labor, supervision and an architect to speed up construction and meet USAID specifications. Loans from the Revolving Fund will be at commercial rates. The entrepreneurs will be expected to open bank accounts at the Barclays Bank in Malindi.

Project Status:

As of June 1987, the construction of all the four workshops is in progress. The production units have been established, and a sizeable contract had been received from the local hotels, schools and parastatal firms. The Small Business Program is in place and is ready to approve up to 70 loans. A total of 20 clients have been trained. The Malindi Municipality had provided a 5-acre plot on which the Center is situated. The Council will provide an additional 5 acres.

Issues:

Are the trainees spending enough time on their training or on the production aspect of the Center to generate enough income for the sustainabiliry of the Center? Given the background of the trainees, what percentage will retain their entrepreneurship skills.

III: Case 8

National Council of Churches of Kenya
(Cham Gi Wadu Women's Group, Kisumu)

Setting and Challenge:

This is a project in which 12 women buy maize wholesale and sell it retail in kernels and as flour. The group began in 1983 with 12 women who currently have 60% retail sales and 40% wholesale. They divide the profits and put funds into an account used for turning over stock, and buying equipment.

Before receiving a loan of Ksh. 15,000 from REP over a 16 month period at the commercial interest rate of 14%, these women lacked working capital and access to credit. They were able to buy only 10 to 20 sacks of maize a week and earned profits at Ksh. 300 to 400 a month each with little or no savings.

Now these women have repaid their loan on time and in full. They are now able to purchase 5,200 sacks of maize a week and earn profits of between Ksh. 800 and 1,200 each per month. The women's group has a savings account with Ksh. 10,000 and have been able to purchase two plots of land on which they intend to build rental housing. They have title to the land which is valued at Ksh. 23,000.

Project Description and Objectives:

A man who comes from the same town as these women has a maize grinding mill and a storage shed on his property. The women pay him a fee of Ksh. 15 per 90 kilo bag of maize they grind. The are not required to pay for rent, electricity, storage or transporation. These savings are the primary reason why this project has been so successful.

Maize is the staple food in Kenya. It is estimated that the average consumption is 10 kilograms per week per person. Some 20,000 people live in the project area.

REP Assistance:

The women's group estimates that market demand is sufficiently high so that they could double their sales volume if they had additional working capital. They plan to ask REP for a second loan of Ksh. 24,000 which they estimate could be repaid in three months at 14% interest which is the commercial rate. Banks do not make loans on the basis of the group's balance sheet which shows an impressive profit margin and positive profit projections.

Project Status:

The NCCK Business Promoter operating in the Kisumu area is working closely with this women's group which is beginning to expand and diversify their activities and investments.

His first step will be to do a contribution analysis to determine which of their three activities (maize grain wholesale, retail and flour sales) is the most profitable. This is done by the unit cost of each input with the sales price. He will also do a market study to determine demand, the market share taken by two local competitors and a projection of future market absorption. This NCCK Business Promoter recently completed REP training in Mombasa to strengthen those skills.

He is expected to advise against taking a three year loan to build the proposed rental housing and show the group how they can make more money by increasing their most profitable activity. His analysis shows that retail maize sales is their most productive activity and should be expanded. Wholesale maize profit is now Ksh. 1,000 per month, retail sales are 5,000 per month and flour sales are 1,500. He will be able to sow the group that profits will be much greater by doubling or tripling retail maize sales than by following their rental income idea.

Issues:

This project is successful but it has so many favorable factors that it cannot be considered representative. These women have virtually no expenses other than purchasing maize for resale in a very favorable market environment.

The only expense the women have is paying a fee per sack of maize to the man who owns the maize mill and storage shed. However, it does not appear feasible for the women to buy their own mill and build a shed. The mill costs Ksh. 70,000 plus an additional 30,000 for building the shed. The women are making good profits which can be expanded without tying up their capital in a large loan.

The only spin-off effect is that the group is working with a local traditional dance group. Several of then also belong to this group. The other women's group purchases maize from them for resale and has made enough profits to buy a plot f land.

Buying land to build rental properties is a popular income generating activity for these small groups because there is high demand and it is largely passive income with little work required.

The NCCK Business Promoter noted one characteristic about this group which he believes contributes strongly to their success and cohesion. All are from the same town and consider themselves "relatives" within a community extended family.

III: Case 9

Isiolo Deanery of the Catholic Diocese of Meru

Setting and Challenge:

The Isiolo Small Enterprise Development Program was started in 1987 by the Isiolo Deanery (district) of th Catholic Diocese of Meru. Father Luigi Location (1964-present) has overseas programs in education, health, water, etc. in Isiolo including development of the Youth Polytechnic out of which the enterprise work takes place. The Deanery services a huge area of savanna and sahel lands north of Mt. Kenya, where perhaps only 18,000 people live. Most of the people are Samburu and Turkana herders of cattle and goats. The Deanery runs schools and dispensaries in four parishes. Business promotion is viewed by the Deanery as a mean for long-term economic capacitization. The REP sub-project is a means to this end. The challenge is in this area is considerable. Life is harsh and opportunities require a discerning eye. The Catholic Church mission is highly motivated, however, and has great respect for the peoples of this area. In 1984, Isiolo was hit by the now world-famous drought which eliminated virtually all of the cattle and most of the goats herds. The people were devastated and the economy --never developed-- was in a shambles. As a result, it is now clear that the people are now looking to business and education of their youth as means to forestalling such happenings in the future.

Project Description and Objectives:

The Enterprise Program will work with the Samburu and Turkana peoples to establish viable businesses in goat trading, beadwork production, hides and skins trading, and metal and woodworking trades. Trades apprenticeships will be established in conjunction with the training institutions in Isiolo and Garba Tulla towns, while goat trading and handicrafts will be promoted in the remoter areas of Oldonyiro and Ngaremara. the Deanery has th technical capability to do training and provide outreach to rural areas. Though the shift expected in the economy is dramatic, it seems feasible. The target is 476 individual enterprises for the project. The evaluation team visited Isiolo and the remote Oldonyiro to talk to prospective participants in the scheme. Motivation seems high.

REP Assistance:

The REP Board approved the Isiolo project in mid-1987, including support for staff (Ksh 1,447,711 to about $90,500), including three extension officers, a marketing specialist and an accountant; material resources (Ksh. 1,894,900 - about

$118,500) including vehicles, trades equipment, and other inputs; and a revolving loan fund (Ksh. 750,000 - $46.875). The total budget of roughly $250,000 covers a two-year period. REP has also supplied assistance in training, market analysis, feasibility assessment, and the setting up of financial and management systems for the project. The Deanery is putting in an additional Ksh. 3,000,000 plus ($187,500+) which makes this in all a very large undertaking.

Project Status:

At the time of the evaluation team's visit the project was just about to be launched. Extension workers had just returned from training by REP in Mombasa and the capital purchases were about to be made. The team visited proposed project activities in sites in Oldonyiro, Longopito, and Kipsing in the arid herding areas northwest of Isiolo. Bouncing through dry river bends, racing an ostrich along a rocky road, or meeting Samburu warriors en route all made for dramatic underscoring of the business challenge of Isiolo. In one manyatta that we visited the Samburu senior men were forming an association for goat trading. Although the Samburu have sold goats for generations, they have never done it collectively or as a business venture per se. The sub-project will help them form seven such associations. The women have already organized some seven groups of 25 traders in various rural centers to sell hides and skins and do beadmaking. They will also sell foodstuffs. The affected Samburu we talked with seemed serious and committed to business. Government officials in the area with whom we spoke were also committed to making this activity work.

Issues:

It is hard to fully appreciate the dramatic changes that this sub-project seeks to realize. It is clearly a high-risk, high-yield endeavor. Despite the large direct investment of a quarter of a million dollars by REP plus perhaps an equal amount from Isiolo and indirect REP assistance, it would be worth it if 500 new entrepreneurs were to be established. The cost would be about $1,000/job created. More importantly the economy of the entire region would be affected positively. To achieve this will require the concerted effort of the NGO and the participants, plus on-going technial support from REP.

III: Case 10

Presbyterian Church of East Africa
Chogoria Hospital, Meru

Setting and Challenge:

The Presbyterian Church has just launched a REP sub-project called the Community-based Enterprise Development Project. Meru is located just to the east and at the base of Mt. Kenya. PCEA (and its predecessor the Church of Scotland) has provided health, family planning and other extension services to up to 300,000 people in Meru District for over sixty-five years. It established Area Health Committees in 37 locations from the early seventies to the present, and it is from these locations that Chogoria is now starting its enterprise development activities. Chogoria has a national reputation in Kenya for family planning services, significant in a country that has a 4.0 percent growth rate in population. Clinics are locally financed. Long-term contact with rural communities has made it clear that they are in need of improved incomes and jobs. Business development and market promotion are the means. The Church has excellent community knowledge and trust and can add on an enterprise thrust with minimal difficulty it feels. The communities participate in their own enterprise planning process and the people are said to be highly motivated to create new business opportunities. Since 1984 Chogoria has been working with communities to explore economic alternatives, and since 1985 a small business specialist has organized local village polytechnic groups into agricultural and marketing groups.

Project Description and Objectives: The main objective is economic development through the promotion and support of enterprises in selected communities already assisted by Chogoria. The sub-project calls for 90 client enterprises to be assisted over three years from a loan fund of KSh 2,700,000 ($168,750), including 70 individual enterprises and 20 group of about 27 members on the average. Twenty additional enterprises will be assisted by reflows. Group loans will have a ceiling of KSh 150,000 and individuals KSh 20,000. Loans will be made at 14% plus KSh 50/application. The Chogoria process will include outreach, promotion and client selection; loan disbursement and collection; and assistance to businesses. Analyses suggest that the feasible local enterprises include grain trading, posho mills, livestock trading, tailoring, stone cutting and brickmaking, masonary, carpentry, handicrafts, and retailing. Continuing attention will be given by Chogoria to feasibility studies and market research. Three of twenty community assessments have been completed.

REP Assistance:

In addition to the revolving loan fund noted above, REP is providing support for the purchase of a pick-up truck and motor bikes, office equipment, training workshops, consultants, and staff. The sub-project supported staff include a Project Officer who will coordinate the enterprise program, a project accountant and a bookkeeper, a field operations officer, three extension workers and two drivers for a two-year period. The total budget is KSh 5,955,293 (about $372,200), the third largest REP sub-project after NCCK and Upweoni. In addition, REP's special training programs have helped Chogoria staff, including five participants at Mombasa. REP financial and marketing specialists have worked with Chogoria staff as well.

Project Status:

Chogoria is still in the early stages of start-up. Community assessments have been done in three locations, staff have been hired, training has begun for staff, and systems for management and accounting have largely been put in place. However, no loans have been made to date. The evaluation team visited two communities: Ngeru where a group of twenty members plan to set up a carpentry shop, and Kiriani where a ten-person committee has planned leather and craftwork enterprises. In Ngeru the group already has established a market for beds, tables, and chairs. Desks are needed by schools who like to use local firms. The group also expects to market in Nairobi which is only about three hours away by road. The group there will hire four carpenters who are being trained in the youth polytechnic. They have yet to product a business plan, but they told us they expect to generate an income of KSh 20,000/month. They have asked for a loan of KSh 160,000 from Chogoria and will add an extra KSh 40,000 they say through a "harambee" (self-help collection). The income will be used they say for buying a vehicle and improvements to the health clinic which the community built itself. In Kiriani the community committee says it has asked Chogoria for KSh 230,000 over three years to rent a house and buy materials to make crafts. Markets exist according to surveys in the local area and outside. The population of this area is about 7,000. Money will be put into an account in the Kenya Commercial Bank. Chogoria expects to review Kiriani's request in august and make a first loan in September. The amount has not been decided. Income will be used be used for better housing for clinic staff. Both Ngeru and Kiriani are typical of the community-based enterprise approach which chogoria is using. It is difficult to assess potential impact in the two sites

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visisted since much work still must be done by the local committees as well as by the Chogoria review committee. The big plus is the exiting network and established relationship which the church has built with the communities. Enterprise development is a natural extension of that relationship.

Issues:

It has taken a long time for Chogoria to launch its loan program. The first loans will not be made until late 1987 and the first ten community loans will not be made until late 1987 and the first ten community loans will not be made until February of 1988. The participatory method may pay good dividends, but the process is a slow one. It remains to be seen whether the income generated really supports the community as intended. This is new territory for Chogoria and they are taking precautions to avoid mistakes.

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III: Case 11

Wongonyi Home Economics Women's Group

Setting and Challenge:

The Wongonyi Women's Group was organized in 1979 to help members generate income for domestic needs. Wongonyi is a remote hamlet high in the Taita-Taveta Hills, some three hours by road from Mombasa. It is known because it is on the route of the Safari Rally road race and near the Taita game park. The community is far from facilities, full-service banks, and urban amenities. The women are also members of the Voi Women's Bakery, a cooperative which works successfully with other groups in the Void Division. The Wongonyi women dearly wanted to construct a posho mill to make corn meal for local sale. It was estimated that some 6,000 people would be served by the posho mill, since few mills are accessible to the population of this area. Women also could relive themselves of up to two hours of hand milling daily with the existence of a posho mill. A Peace Corps Volunteer, Andy Karas, promoting women's programs in Taita-Taveta, assisted the Wongonyi Home Economics Women's Group, numbering 21 members today, to locate potential resources from the Rural Enterprise Programme (REP) and to draft a proposal to them.

Project Description and Objectives:

The Wongonyi Group agreed to join forces with three other local groups setting up economic activities in cattle/poultry, beekeeping (called Amani), and house rental (called Makundano). These four groups are expecting to make monthly payments into a revolving loan facility in lieu of repaying the cost of the posho mill. This loan fund will then be available for use by the four women's group for their chosen economic specialties. The fund will be managed by representatives of each of the four. Approximately 80 women will directly benefit from the scheme, plus their families which average 7.5 persons, for a total of some 600 people. Also, it is anticipated a significant portion of the 6,000 people who live in the area will use the new posho mill.

REP Assistance: REP has provided KSh 91,060 ($5,691) for construction materials and installation of the posho mill, plus Ksh 19,790 ($1,237) to cover the costs of a mill operator and an accountant for one year. Local contribution at the time of the evaluation totaled KSh 29,100 ($1,819) representing the value of local labor done by the community of Wongonyi plus a self-imposed "harambee" (self-help collection) by the women. In addition, the REP project Officer has worked closely with the women to encourage them and guide their economic planning. The women have developed a lot of confidence in the REP officer and plan to continue to take her advice, they say.

Project Status:

The posho mill began operations in May, 1987. Opening ceremonies were held to commemorate the occasion, with dignitaries representing the Government, the U.S. Consulate the the Peace Corps. At the time of the visit of the evaluation team, the mill had generated only Ksh800 ($50) in income in less than a month. We were told that the harvest of maize had been very poor due to inadequate rainfall, but the women were optimistic that once word spread about the mill business would pick up. The income had been used to pay salaries to the two employees (40%) for diesel fuel (27%), and a profit (33%) put in savings for future investment. The women had not found a bank for the cash they held: it was being kept in the home of the Group's treasurer. The revolving loan fund had not been created. The new equipment was demonstrated for us and worked well. The posho mill house, built by the community, was up and obviously a source of pride for the women. Husbands were very interested in all the new activity and were present -- if on the periphery -- at our meeting with th women. None of the other three groups that are to participate in the scheme had begun any economic activity, and the women were wondering if they were going to be th lone contributors to the joint revolving fund.

Issues:

The evaluation team was concerned that the cash held by the women's group was not secure, that a bank was needed to ensure financial accountability. The Peace Corps Volunteer and REP officer were keeping close tabs on the project, and no money had disappeared, but if it were to go astray for even the most explainable of reasons the self-confidence and mutual trust among the women might evaporate very quickly. It is important that this issue be resolved with REP's help. The evaluation team determined in the conversation with officials of the Kenya Commercial Bank that they have a mobile banking facility that could service this Group. Also, it is important that the other three women's groups get started on their enterprises so that Wongonyi Home Economics women will feel inclined to create the revolving loan fund. The project is fragile, and will go through predictable stress in the foreseeable future because the Volunteer will be leaving. REP is only involved in this activity for the first year of startup. The REP accountant and the Project Office will need to devote considerable time to guiding this project in its early stages. Unlike most other REP sub-projects, Wongonyi has no local support institution, no NCCK establishment for example to help the women in a frequent basis. This sub-project is intended to be an off-the-tarmac activity reflecting th commitment of the REP Board to reach out to community based organizations. However, it must be recognized that this type of project will put heavy demands on REP staff because of the lack of any local intermediary support group. A further issue which can be easily resolved is an inadequate profit margin for the sale of the maize meal. It should be raised from the present Ksh7.50 per tin ("debe") to a higher rate, perhaps equal to the Ksh 12,00 per tin price found at other comparable mills near Voi.

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III: Case 12

Kenya Women's Finance Trust, Kiambu

Setting and Challenge:

KWFT was set up on 1982 by Kenyan professional women, as an affiliate of Women's World Banking. Branches have been established in Nairobi, Nakuru and Kiambu. It operates as an intermediary non-profit providing credit and technical assistance to Kenyan women to enable them to improve their lot. Membership KWFT, now totaling about 170, is open to Kenya women and is not a prerequisite for KWFT assistance. KWFT attempts to advance the direct participation of women and their families. The Kiambu branch, the last to open, began with a credit needs survey in mid-1986. The Office opened in November 1986 and the Loan Review Committee was formed in January 1987, made up of local technical specialists from business, banking and government. Kiambu is a farming area only about twenty kilometers north of Nairobi. It is growing rapidly in population and business. The REP-sponsored market analysis suggested that there were many growth opportunities for small retail and manufacturing businesses in the area, and that potential female loan recipients would be able to overcome a true lack of access to credit -- exacerbated by collateral being held in the husband's name -- and would repay the loans.

Project Description and Objectives:

KWFT has expanded its program to rural, non-farm businesses in Kenya to build women's experience with lending, including women who are near to bankable. To do this the sub-project has been designed to establish a revolving loan fund, set up a loan guarantee program through Barclays Bank, provide legal and financial advice to women, and provide training in business management for increased productivity. REP support has covered costs of setting up the program in Kiambu and some costs of Nairobi central office; the African Development Foundation has supported the Nakuru branch. Other KWFT donors include the NORAD, Lutheran World Relief, the Ford Foundation and the Peace Corps -- the later providing the General Manager for a time in Nairobi.

REP Assistance:

The REP has provided assistance for the setting up of a loan fund of KSh856,000 ($53,750); staff support for a credit program coordinator, extension workers, an analysis of the product markets in Kiambu and an interest of entrepreneur participation; plus the normal REP technical assistance and training for credit administration and entrepreneur management skills. KWFT staff have been involved in several REP training activities for Kiambu and other staff, including the recent Mombasa workshop for extension workers. REP also mounted a KWFT-specific workshop for about fifty potential loan recipients, from whom were chosen the present fifteen loanees in the KWFT program in Kiambu. REP has also offered advise on KWFT credit policies.

Project Status:

KWFT in Kiambu has fared better than its counterparts in Nairobi and Nakuru. Clearly this is the result of the market research and entrepreneurial assessment done by REP prior to launching the program. Kiambu has made 15 loans and has the loan review committee meeting every month. The valuation team visited one of the entrepreneurs, a furniture producer named Elizabeth Kuria, who was one of the first to receive a loan of KSh 20,000 -- in Kiambu. As a result of the loan we found she was very busy producing for increased orders for furniture. Interestingly, Mrs. Kuria had hired one permanent employee and one piece-work employee as a direct result of the REP loan program. Also, her estranged husband had returned to help Elizabeth with the booming workload in the shop. She detailed the expenditures from loan funds indicating that all of the money was being used directly on the business. She has built a workshop, bought equipment, and is producing for local demand form tables, chairs, wardrobes, and beds. Demand is up 50% since the loan. Elizabeth has developed an ability to manage books and has gained the respect of her husband, who is himself an experienced carpenter. Elizabeth has already repaid Ksh 208 in the first repayment of the loan, on time. The assistance of local repayment of the loan, on time. The assistance of local KWFT staff, John Makyo, the Credit coordinator, and Florence Munene, the extension worker, made an important difference in getting Elizabeth to repay, she said. Although Mrs. Kuria may or may not be typical of the clients served by the sub-project in Kiambu, it was apparent that the loan program was having success in her case.

Issues:

The KWFT program is only charging Mrs. Kuria and other similar clients 12 1/2% interest on the loan, the lowest of all sub-projects of REP. This needs to be reviewed quickly by REP, since the level is below commercial rates. The sub-project projects only 108 loans in two years at a cost of Ksh 2,982,250 ($186,390). This represents a cost of $1,725 per loan, when the average loan is only $20,000 ($1,250). Clearly the cost of the program is in need of examination, even recognizing that the benefits will extend for several more years.

Kenya Rural Enterprise Programme
P O BOX 39312 NAIROBI
June 30 1987

Appendix IV.

PER STATISTICS ON BENEFICIARIES AND CLIENTS

PJCT NO	PROJECT TITLE	BUDGET: SUPPORT COSTS shs	BUDGET: LOAN FUNDS shs	BUDGET: LONG TERM CAPITAL shs	BUDGET: SHORT TERM CAPITAL shs	BUDGET: TOTAL shs	CLIENT ENTERPRISES: PROJECTED: GROUPS	CLIENT ENTERPRISES: PROJECTED: INDIV.	CLIENT ENTERPRISES: PROJECTED: TOTAL	CLIENT ENTERPRISES: ACTUAL: GROUPS: T A	CLIENT ENTERPRISES: ACTUAL: GROUPS: CREDIT	CLIENT ENTERPRISES: ACTUAL: INDIVIDUALS: T A	CLIENT ENTERPRISES: ACTUAL: INDIVIDUALS: CREDIT	CLIENT ENTERPRISES: ACTUAL: TOTAL	BENEFICIARIES: PROJECTED: DIRECT	BENEFICIARIES: PROJECTED: INDCT	BENEFICIARIES: PROJECTED: TOTAL	BENEFICIARIES: ACTUAL: DIRECT	BENEFICIARIES: ACTUAL: INDCT	BENEFICIARIES: ACTUAL: TOTAL
003	Kenya Women Finance Trust	1,750,990	856,000	375,260	0	2,982,250	36	72	108	0	0	60	15	60	[1] 936	4680	5616	180	900	1080
011	Presbyterian Church Of EA.	203,000	160,000	0	15,000	378,000	0	600	600	0	0	0	275	275	600	3000	3600	275	1375	1650
012	CPK Eldoret	836,578	1,617,000	663,400	0	3,116,978	15	19	34	15	9	10	3	25	357	1785	2142	330	4950	5280
013	Mweani Community Development Project	2,474,108	1,605,000	2,333,341	279,100	6,691,549	15	130	145	4	0	9	3	13	465	930	1395	47	94	141
014	National Council of Churches	6,023,443	5,300,850	400,000	0	11,724,293	66	294	360	15	0	150	0	165	2202	11010	13212	750	3750	4500
016	Peru Tinsmiths	0	0	20,000	0	20,000	1	0	1	1	1	0	0	1	27	135	162	27	135	162
018	Partnership For Productivity(k)	1,454,260	1,670,100	2,167,500	0	5,291,860	0	500	500	0	0	411	411	411	1500	3000	4500	1233	2460	3693
019	Maryknoll Farthers Embu	290,000	600,000	0	0	890,000	60	0	60	60	60	0	0	60	1200	2400	3600	1200	2400	3600
020	P.C.E.A.Chogoria Hospital	2,909,293	2,700,000	346,000	0	5,955,293	20	70	90	10	0	0	0	10	610	3050	3660	200	400	600
021	Kongonyi Home Economics Group	19,790	0	91,060	0	110,850	1	0	1	1	1	0	0	1	20	100	120	20	100	120
022	Tototo Home Industries	2,579,305	305,000	916,057	0	3,800,362	15	0	15	15	5	0	0	15	535	2625	3160	235	2625	2860
023	Gathiga Uplift Project	718,470	150,000	682,500	16,000	1,566,970	17	12	29	1	0	0	0	1	190	380	570	20	40	60
024	Isiolo Deanery Catholic Diocess Meru	1,447,711	750,000	1,894,900	0	4,092,611	0	476	476	0	0	10	0	10	476	2380	2856	10	50	60
025	Salesians Of Don Bosco Embu	1,523,000	900,000	2,987,390	0	5,410,390	10	0	10	5	0	0	0	5	165	130	295	62	135	197
	TOTALS	22,229,948	16,613,950	12,877,408	310,100	52,031,406	256	2,173	2,429	127	76	650	707	[2] 1,052	9,283	35,605	44,888	4,589	19,414	24,003

(Cont'd.)

1. In determining direct beneficiaries, the following assumptions were made based on experience to date: 1) That individual firms employ an average 2 workers (as most are production oriented) and 2) That the average group size for group enterprises is 20 (we did this except in cases where group sizes are known among actual beneficiaries -- projects: 013, 019 020 and 022).

2. In arriving at the number of enterprises actually being assisted, those enterprises receiving T.A. were used as the basis for receiving credit also receive T.A.; hence totalling credit and T.A. would have given inaccurate total. In the one case where enterprises receive credit only (pro.no. 011 with 275 enterprises) the clientele was added to the total. For this reason adding across the bottom line under the 'client-enterprises actual' would not give a figure of 1052. The 1052 represents: 127 groups receiving T.A. and/or credit; 650 individual firms receiving T.A. and/or credit and 275 firms receiving credit only.

Appendix V

b:Train

EVALUATION OF REP'S TRAINING

The following framework was used to evaluate the effectiveness of REP's training program:

- o Was the training done in response to the expressed priority needs of the organizations and staff members being trained?
- o Were trainees satisfied with the training they received (better or worse than comparable training) and will they find it useful?
- o Did the training result in improvements in the skills the trainees need to do their job?
- o Which specific core skills were improved by how much (high level of improvement, medium level or low level)?
- o Do the trainees realistically expect their increased skill level will improve their performance?
- o Will trainees get follow-up training from REP so that when implementation problems arise their core skills will be reinforced or expanded as necessary?
- o Will the trainees be able to transfer these skills to others so that the pool of competent available trainers will be expanded and better able to cope with demand?
- o Will the people trained by REP keep working with their NGOs thereby building its institutional capability or use the training they received to get other jobs?

225 staff members from 40 Kenyan Non-government Organizations (NGOs) have attended one and two week training sessions presented by REP. From August 1985 through June 1987, REP has provided training programs in:

- o Cost effectiveness
- o Financial management
- o Bookkeeping
- o Project planning and implementation
- o Marketing
- o Feasibility analysis
- o Credit

o Project management

o Evaluation

o Training trainers

The largest and most ambitious REP training program was held in Mombasa in June of 1987. Seventy extension workers from 15 Non-government Organizations (NGOs) attended a two week training session which was observed closely by the four member team evaluating REP.

A one-page questionnaire was prepared and discussed with REP to determine if they thought the questions listed above were relevant and trainees would be able to understand it. The questionnaire required no written responses. Trainees were asked to circle yes or no and high, medium and low answers. The questionaire was unsigned and was not coded to indicate which organizations or individuals responded. REP's management team found the questionnaire acceptable.

The questionnaire was distributed and we received responses from over half of the 70 trainees who were told that their participation was voluntary. The following is a tabulation of the responses received:

o 32 trainees said that REP had contacted their NGO to do a skill inventory needs assesment (what kinds of training was most needed). Four said their NGO was not contacted.

o 26 of the trainees said they were contacted directly by REP to determine their needs and 10 said they had not been asked what they needed to learn.

o All of the trainees responding (21) said that the training they received responded to their needs. When asked to assess how well their needs were met, 10 circled high, 11 medium and no low responses.

REP's management team responded that they had contacted all of the participating NGOs to do a training needs assessment. The four negative responses may have been people who were unaware that this had been done. All of the NGO headquarters people we interviewed said they had been contacted. The ten people not contacted directly may have been traveling or otherwise unavailable when REP talkled directly with the 26 individuals who responded that they had been interviewed directly.

The next section of the questionnaire focused on whether the trainees felt their skills had been improved as a result of the Mombasa training session. Also, whether they felt the improvement made (if any) had been high, medium or low. 24 people responded that their skills had been improved and none felt there had been no improvement.

Then we gave trainees a list of core skills needed in their field work and asked them to indicate whether there had been improvement in each skill category and whether they felt the degree of improvement had been high medium or low. There was no performance baseline data on trainees going into the training session nor final exams to measure how much had been learned. Our hope was that REP may find this data somewhat useful in targeting skill gaps which should be highlighted in future training sessions.

o Loan appraisal	19 high	20 medium	o low
o Credit management	15 high	18 medium	6 low
o Market analysis	15 high	18 medium	1 low
o P&L balance sheets	11 high	19 medium	6 low
o Financial reporting	16 high	18 medium	2 low
o Making business plans	16 high	18 medium	5 low
o Costing and pricing	10 high	21 medium	6 low
o Sales/Mkt. projection	17 high	19 medium	2 low
o Variance analysis	8 high	29 medium	6 low
o Inventory control	5 high	17 medium	9 low
o Monitoring	13 high	15 medium	7 low
o Breakeven analysis	16 high	17 medium	4 low

When asked what difference they anticipate the aggregate skill improvements will make in their performance as field extension workers, they gave the following assessment:

21 high 14 medium 0 low

All of the trainees said REP will be providing follow-up training. This was confirmed by Kevin Kane who is a consultant contracted by REP to provide training and post-Mombasa follow-up. Kane is a small business training expert with over a dozen years of experience in Africa and other developing country areas. This question was asked because lack of adequate follow-up training has been identified worldwide as a major cause of performance inadequacies. The importance of doing this right cannot be over emphasized.

The need for follow-up is underscored by the trainees response to whether or not they will be able to teach these skills to others and whether they will need more help to do so.

All of the trainees responding (31 yes, 0 no) felt they would be able to teach what they have learned. They ranked their ability to do this as: 6 could teach all skills, 25 some skills and 0 respondees felt there were no skills they could transfer. More importantly, 22 responded that they are able to use the skills they received immediately but 16 others said they need follow-up training to be effective.

The satisfaction index was that 26 of those who responded said this was better than comparable training they had received, three said it was the same and o said it was worse.

It should be noted that these responses need to be weighted according to factors such as the education level and prior experience of trainees. However, it was not possible to do this in this case without doing in-depth interviews will all trainees who were involved in intensive training sessions at the time. This would have been disruptive. However, the responses given do provide a valuable albeit impressionistic indicator of the relevance and quality of the training received.

The evaluation team attended the Mombasa training program. I sat in on presentations by the REP trainers to get a sense of:

- o How clearly the material was being presented;
- o Whether trainees felt a sense of "ownership" as reflected in high levels of participation and discussion based on experiential constraints and problem areas;
- o Whether the material presented was followed by a period of practical application exercises to see if lectures can be applied in a productive manner;
- o Were these exercises critiqued so that implementation problems could be indentified and ways shown to overcome them;
- o Did trainers allow individuals with more education, experience or aggressive personalities to dominate discussions and intimidate others;
- o When given the option of extending training sessions or ending early or taking a day off, what was the response?
- o Did trainees feel the manner of presentation was boring, repetitive or irrelevant?
- o Was the language used to explain why something is done , why one way and not another and how to do it academic or jargonistic rather than simple and direct speech?
- o Are the trainees self-motivated to learn as opposed to feeling they are fulfilling somebody else's needs?

These questions reflect concerns to which I have become sensitized by doing training programs for the past 20 years. There are others. But those mentioned provide an idea of the criteria I use to make a qualitative judgement on training.

In all cases, I was favorably impressed. Kevin Kane is a professional trainer and his high level of performance was expected. However, the REP staff which did the rest of the training are not professional trainers. Nonetheless, they did well. Training differs from lecturing in that it is also a performing art requiring innovative, energetic presentation not just a good command of the subject matter. REP's Deputy Director of Finance and Administration has a background in accounting and business both of which he knows very well. However, his personality is well suited to training and he did extremely well.

It should be noted that training, training of trainers (which is much more difficult) and institutional learning (synthesizing lessons from experience to apply to decisions) are not specializations generally found in developing countries. The REP Board should realize that people with long experience in these areas will probably have to be imported in the form of external consultants. However, REP should make a concerted effort to have these consultants train Kenyans so this dependence can be reduced and eliminated within a reasonable amount of time.

While doing field interviews with the staff and beneficiaries of REP sub-projects we always asked whether they were satisfied and could suggest improvements.In all cases, the feedback we received was highly complimentary. They said that REP's training is the service they most appreciate. This was also true in projects receiving credit which we had anticipated would be given top priority.

REP TRAINING PROGRAM EFFICIENCY MEASURES

The evaluation team had long discussions with REP's management team to identify internal efficiency measures which can provide indications of the cost-effectiveness of training. REP is to be congratulated for its open attitude and aptitude in quantifying these efficiency measures. Most organizations are neither as willing nor able to cooperate.

The training program efficiency indicators we discussed include the following:

- REP estimates that its average cost per trainee is about 10,000 KS including staff time and related expenditures.

- REP has the organizations sending people to be trained pay their transportation and per diem costs. This sends a message to Kenyan NGOs that training is a service to be delivered in as cost-covering a manner as possible.

o REP's training will be cut-back in the future as groups become more self-reliant. The amount of REP's sub-projects will be leveling off at around 20 (currently 14) which means that training costs can be reduced by approximately 60% over the next three year period.

Our conclusion is that REP has made a serious and sustained effort to become increasingly more cost-effective without sacrificing quality content nor making expenditure the sole or dominant criteria. Doing that would restrict training to those easiest to reach and easiest to train in a short period. REP's criteria have been need as determined by performance gaps.

REP is an organization whose goal can be described as institution-building. Providing credit and technical assistance are the means through which this goal will be accomplished. REP is not developing the institutional capabilities of NGOs at the expense of the poor people they serve. REP's emphasis has been placed on blending both priorities rather than operating in an either-or dynamic. Both the Board and REP's staff share that perspective and continue to cope with the implicit trade-offs on a project-by-project basis. Doing this in an atmosphere of dialogue characterized by shared values and mutual respect has made REP a major center of innovation and learning.

Jim Cotter
June 30, 1987

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Appendix VI

LIST OF PERSONS CONTACTED

U.S.A.I.D./Nairobi

Steve Sinding	Director
Larry Hausman	Deputy Director
Gordon Bertolin	Deputy Chief, Project Development
Justus Omolo	Private Enterprise Officer
Michael McWherter	Private Sector Advisor
Beth Rhyne	Private Sector Development Consultant
Betsy Bassan	Private Sector Development Consultant
Derek Singer	Chief, Human Resource Development

Rural Enterprise Program Board

B.A. Kiplagat	Chairman, and Permanent Secretary, Ministry of Foreign Affairs
Mary Ang'awa	LLB, Vice-Chairman, and Magistrate, Kenya Law Courts
Mathias Keah	CPA, Managing Director, Keah and Associates
Francis Kihiko	Private Businessman
Kabiru Kinyanjui	PhD, Director, Institute of Development Studies
Harold Miller	Regional Representative for Food and Peace Mennonite Central Committee
Justus Omolo	U.S.A.I.D. Private Enterprise Officer
Fred O'Regan	Rural Enterprise Program Director

Others

Pieter Buijs	ILO Consultant ABC Small Business Project (formerly Undugu Society, Nairobi)
Arthur Gachugi	Managing Director, Marketing Forethought, Nairobi
Joe Kuria	Director African Development Foundation, Kenya
Klaus Molenaar	ILO Consultant, ABC Small Business Project
Charles O. Ogalo	Marketing Manager, Kenya Commercial Bank
David N. Thige	Dep. Marketing Manager, Kenya Commercial Bank
Mwenda Thiribi	Manager, Deloitte Haskins & Sells Management Consultants
Terry Truran	Manager, Deloitte Haskins & Sells Management Consultants

Mrs. Violet Okinda	Acting General Manager, Kenya Women Finance Trust
Mr. Andrew Peppetta	General Manager, Partnership for Productivity/Kenya
Mr. Sam Kobiah	General Secretary, National Christian Council of Churches of Kenya
Ms. Jennefer Sebstad	Program Officer, The Ford Foundation, Nairobi

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David N. Thige	Dep. Marketing Manager, Kenya Commercial Bank
Mwenda Thiribi	Manager, Deloitte Haskins & Sells Management Consultants
Terry Truran	Manager, Deloitte Haskins & Sells Management Consultants

Mrs. Violet Okinda	Acting General Manager, Kenya Women Finance Trust
Mr. Andrew Peppetta	General Manager, Partnership for Productivity/Kenya
Mr. Sam Kobiah	General Secretary, National Christian Council of Churches of Kenya
Ms. Jennefer Sebstad	Program Officer, The Ford Foundation, Nairobi

<u>Appendix</u> VII.

<u>The Daily Nation</u>, "USAID to Give Kenya Sh92M," July 1, 1987.

Usaid to give Kenya Sh92m

By NATION Reporter

The United States Agency for International Development (USAID) yesterday signed an agreement for Sh92 million aid to Kenya's Rural Enterprise Programme (REP).

This is part of Usaid's Sh400 million boost to private enterprise development throughout the country.

That money will be used by both the Kenya Government and the private sector, including Non-Governmental Organisations (NGOs).

The chairman of REP and Permanent Secretary for Foreign Affairs, Mr Bethuel Kiplagat, signed on behalf of Kenya.

"The role of donors like Usaid cannot be underrated," the PS said: "The Rural Enterprise Programme goes along way towards helping the Government in making the District Focus for Rural Development Strategy a reality," Mr Kiplagat said.

Mr Steven Sinding, the Usaid Kenya mission director, signed for the donors.

The Rural Enterprise Programme is a Kenyan organisation established in 1984 in collaboration with World Education Inc of the United States.

"It is geared towards assisting in the promotion of rural enterprises through Kenyan organisations," Mr Kiplagat said.

"Under the new Usaid funding," the PS said, "the Rural Enterprise Programme will continue to support NGOs and small enterprises while at the same time expanding its mandate to include support of community-owned industries in rural areas. It will also involve small-scale entrepreneurs and women's groups". Mr Kiplagat said.

"The assistance is part of a Sh400 million ($25 million) private enterprise development project which will provide assistance to both the Kenya Government and to the private-sector organisation," he added.

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