

TECHNOSERVE, INC.

36 OLD KING'S HIGHWAY SOUTH
DARIEN, CONNECTICUT 06820 U.S.A.

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Project Title: Project to Increase Employment, Income and Production in Kenya

Total GPG Request: \$500,000

Project Location: Kenya, East Africa

PVO Name and Location: Technoserve, Inc., P.O. Box 1088, Kisumu, Kenya, East Africa

Central Headquarters: 36 Old King's Highway South, Darien, Connecticut 06820, USA

Contact Person: Edward P. Bullard, President

Date of Submission to AID: June 30, 1977

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Amendments submitted from August 31, 1977 to May 23, 1978
included as of May 23, 1978.

1. Project Purpose and Description

Technoserve's program in Kenya has the goal of demonstrating that the development of locally owned self-help enterprises is an effective means of increasing the ability of the poor majority to improve the quality of life and contributing to the growth of economic opportunity and human dignity for the people of Kenya. The purpose of the program is to increase economic and social well being including self-help capabilities of Kenyans with special emphasis on members of Kenya's farm and non-farm poor, primarily in the rural sector. This is to be accomplished by assisting local enterprise sponsors and institutions in the identification, implementation or development of new or ongoing self-help enterprises that have economic viability and social impact potential.

Technoserve's primary target population includes people generally with low per capita income levels, low literacy rates and limited access to health and other services. Most often they include small holder farmers with relatively limited experience in the monetized economy. In some cases they are represented by the unemployed or underemployed seasonal laborers in the rural regions of Kenya.

Technoserve assists its target population through the provision of services to small and medium-scale enterprises which are expected to be, where appropriate, labor intensive and to use appropriate technologies when technically and economically feasible.

Since the primary objective is expanded employment opportunities and increased incomes for the rural poor, any socially desirable enterprise serving the community's needs and able to operate on a self-sustaining basis may be appropriate.

Technoserve uses a number of different approaches or mechanisms to achieve its objectives, all within the content of enterprise development. Service companies, savings and loan cooperatives can be effective mechanisms in this regard.

Technoserve also often assists in the development of vertically integrated enterprises which link production, processing and marketing for the purpose of generating optimum benefits in favor of the target population. Organized in this way, the local sponsors, the labor which is hired or the people who participate as producers, cooperative share or stock owners may be part of the target group of the rural poor. When projects involve the processing of food for local consumption, an important secondary function is the general improvement of the nutritional levels and diets of the larger community served by the enterprise.

In conjunction with assistance provided to agricultural enterprises, Technoserve will undertake to assist small holder farmers to achieve greater levels of production. This will be accomplished by the provision, on an equitable basis, of required agricultural inputs, equitable purchasing-contracts between the farmer and the enterprise and strengthened farmer organizations to facilitate these purposes. Most of the enterprises currently assisted in Kenya are cooperative-based where ownership is already in the hands of the farmers. This offers real opportunity to both strengthen the position of the farmer as producer while helping him or her to fully realize the economic potential and advantages of ownership of a commercial enterprise.

The grant funds requested are in the following amounts: \$165,000 for FY '78, \$180,000 for FY '79 and \$155,000 for FY '80. These funds will be used to cover a portion of the salaries and support costs of Technoserve's staff as reflected in the budget provided in Section V. Since Technoserve's sole product is the provision of technical assistance through its personnel, the financial support of its personnel and facilities constitutes its primary expense and thus, in general, grants to Technoserve are grants in support of its staff.

Although Technoserve arranges financing for enterprises both in the form of equity and debt capital and maintains a small capital revolving fund, this grant request is solely for technical assistance funds to Technoserve in support of its Kenya program.

The requested funds will enable Technoserve to maintain and increase its staff capability to provide assistance to Kenyans who conceive and implement their own enterprises which have an impact on the quality of life of those primarily in rural areas.

From a current staff of 9 project advisors and 3 clerical staff as of March 31, 1977, Technoserve Kenya plans to expand its staff to 13 professionally qualified advisors and 5 clerical staff by FY '81.

Such advisory personnel, both expatriate and Kenyan, will analyze and implement enterprises in collaboration with local project sponsors by providing assistance in the areas of general business planning and management, possibly including financial analysis and structuring of enterprises, market analysis, legal and social organization, selection, construction and operation of plant and equipment, installation of accounting and control systems, personnel selection and training, the selection and adaptation of appropriate technologies, the installation of inventory, supply and procurement systems and management information systems.

These tasks in turn will be carried out within a process developed by Technoserve consisting of pre-screening of prospective projects, social, economic and technical studies of enterprises including Preliminary Project Reports, analysis of markets, supply, equipment, financial, legal and pilot tests, assistance in legal, financial and social organization of enterprises for maximum linkage to the target population and the preparation and implementation of operational Business Plans, all with the purpose of increasing benefits to the target population. These services will be provided in the startup of new enterprises or new activities in existing enterprises and in the upgrading or sustaining of ongoing enterprises or the regeneration/cumround of existing enterprise activity. In addition, secondary services to other projects, agencies or institutions within Kenya would be provided, including short-term specialized assistance to projects and assistance to private and public development agencies.

Local institution building would be enhanced by assisting institutions (i.e., banking institutions and government agencies), in servicing requests from Technoserve assisted projects, in the formulation and implementation of policies fostering development of enterprises, encouraging imitation of Technoserve policies and procedures, as well as assisting where requested in the establishment of Technoserve-like entities within existing institutions or as a wholly new local institution either public or private. For example, the Cooperative Bank has requested Technoserve to undertake on-the-job training for one of the Bank's field officers in the process of preparing a feasibility study and financial plan for the Nambale Cooperative Union. Also the Commissioner for Cooperative Development has expressed an interest in having a Technoserve staff member seconded to the Department's Planning Division to assist in the preparation of reports and the training of Departmental staff.

The measurements of the achievement of the purpose of this grant would be objectively verifiable indicators resulting from enterprise activity such as jobs created or sustained, income accruing to nationals, local investment generated, sales volume generated, total population affected (see Section IV, page 30 for estimated benchmark projections for above indicators). These will be reported on a semi-annual basis. Other measures will include increased access of the target population to credit, social services and agricultural inputs. These latter measures will be reviewed when the periodic evaluations occur.

It is important to note that while Technoserve places great emphasis on the viability of its assisted enterprises, Technoserve views enterprises simply as tools for achieving employment, income distribution and rural productivity. These factors, in turn, foster self reliance, a just standard of living and an opportunity for a greater sense of human dignity on the part of members of the poor majority. To demonstrate this as an effective means of assisting the poor majority is the key institution goal of the international program of Technoserve.

II. PROJECT BACKGROUND

A. History of Proposal

In 1973 Technoserve inaugurated its Country Program in Kenya, East Africa with the primary purpose being to assist in the establishment of self-help enterprises which would be of benefit to the poor majority of that country. In order to appreciate the full significance of Technoserve's Kenya program which forms the basis of this proposal, it is necessary to briefly review Technoserve's corporate goals which center on the replicability of its efforts. While Technoserve currently has five Country Programs in various stages of development in El Salvador, Ghana, Honduras, Nicaragua and Kenya, with a projected budget of approximately \$1,300,000 in 1977 and 54 full time employees, it is painfully aware that the operation of its program will likely, at current levels, have limited direct impact on the massive development problems facing the world in the next twenty-five years. Having accumulated considerable experience in the economic development sector, Technoserve is searching for means to multiply the positive impact of its program. It is considering accomplishing this through two parallel efforts.

First, Technoserve wishes to strengthen and expand its historical Country Program activity (Core Program). This UPG proposal has as its primary purpose the strengthening and expansion of Technoserve's program in Kenya. Five Country Programs now in operation could be joined by two to four new Country Programs in the next six years. By 1982 this traditional Country Program portion of Technoserve's activity and staff might double. This Core Program and its staff would form the base from which Technoserve's 'new thrusts' could be sustained.

The second element of Technoserve's future program is envisioned to parallel the first. Here the emphasis would be placed on demonstration, replication, consultation and evaluation. Trained professional staff and corporate experience available from the Core Program would be utilized. A number of activities would characterize this new thrust:

- a. Collect and document the processes and procedures found to be effective in the successful development of self-help enterprises and the institutionalization of that process;
- b. Improve Technoserve's internal evaluation and assessment capability for internal and external use;
- c. Make Technoserve's services, documented expertise, and a limited number of its personnel available on a contract basis to host country governments and/or local development institutions in order to enable those institutions to set up their own similar programs;
- d. Provide specialized consulting services to businesses in situations where Technoserve has special expertise (i.e., small scale sugar Syrup Production, cattle ranching, rice milling, etc.);
- e. Establish linkages from operating enterprises to other development activities such as nutrition, education, etc.;
- f. Provide specialized consulting assistance to other PVO's.

As a result of the above, Technoserve plans to have an impact on policy in developed and developing countries alike.

5. Technoserve Program Background

Technoserve was incorporated in the State of New York in February 1969. It is the overall goal of Technoserve to demonstrate that the development of appropriate indigenously owned self-help enterprises among the poor majority of peoples in developing countries is one of the most effective means of assisting that majority to attain full human dignity and a just standard of living through their contributing to and sharing in the benefits of national economic growth. Technoserve seeks to create a technical assistance program which lends itself to being transferred to local development agencies or adopted by other international development agencies.

Technoserve's program of self-help enterprise development has resulted in the creation of new jobs and the sustaining of existing ones, the broadening of income

distribution, an increase in rural productivity and local and national institution building.

Technoserve program records, which are available for review, show a significant performance in the field of economic and social development in Kenya. As of March 31, 1977 the following approximate outputs have resulted in Kenya related to Technoserve's project activities:

14,795	jobs created or sustained
\$1,428,674	income accruing to nationals
\$2,897,789	sales volume generated
\$1,342,048	local investment generated
85,175	local population benefited - aggregate index

Technoserve receives its support from foundations, churches, the Agency for International Development and, increasingly, from host country sources including project reimbursements. The latter consists of sums agreed upon with project sponsors as reimbursement for certain Technoserve operating costs associated with projects. Fifteen thousand dollars is expected to be received in CY 1977 from all Technoserve projects by this means.

Technoserve is managed by career professionals with experience in and commitment to overseas development. Technoserve's management is supported by an active and involved Executive Committee of eight persons drawn from a 21-member Board of Directors. Sixty-five corporate members of Technoserve come from the business, academic and church communities.

One of the features of Technoserve's program has been its ability to pool the human, technical and financial resources of many local and national organizations and institutions in the carrying out of its corporate purposes. These have made it possible for Technoserve to be efficient in the development of its program. Interchanges with other institutions have also accelerated the process of staff recruitment. Of particular importance are the following institutional relationships which Technoserve has

fostered over the past eight years and which relate directly to its corporate purposes:

- Technoserve is a charter member of the consortia group, PACT, Inc.
- Technoserve has close working relationships with over 20 Protestant and Catholic Church instrumentalities which have overseas programs.
- Technoserve has close working relationships with host country governments in each country of operation, including agencies of the Government of Kenya. Formal agreements are currently in effect with governments or agencies of three Central American countries, with financial support received from two.
- Technoserve has informal collaborative relationships with over 30 local institutions in the countries in which it is now operating.
- Technoserve has received support from over ten major foundations in the U.S. and expects to receive additional support from European foundations.
- Technoserve has collaborated with USAID Missions in several developing countries and currently is the recipient of a Development Program Grant from the PHA section of AID/II.

C. Program History

The first Technoserve-assisted project in Kenya began in 1972. An office with full-time resident staff was opened in Kisumu in the third quarter of 1973. Staff has grown, particularly in recent years.

	<u>12/31/73</u>	<u>12/31/74</u>	<u>12/31/75</u>	<u>12/31/76</u>
Kenya & Expatriate - Advisors	2	3	6	9
Kenya - administrative/clerical	<u>-</u>	<u>1</u>	<u>2</u>	<u>3</u>
TOTAL	2	4	8	12

During this period expenditures have grown from approximately \$20,000 for 1973 to \$193,335 for 1976.

Technoserve/Kenya employed on March 30, 1977 4 expatriates and 8 local national including clerical staff. Professionals related to project activity have had

previous overseas experience and are hired on a career basis. Many have advanced University degrees in the field of economics, international management or development. Occasionally short-term personnel with specialized experience are hired.

D. Kenya Program

Briefly, Technoserve's program in Kenya for which OPG support is sought consists of providing management, technical and financial services to several currently assisted enterprises and building a base of experience and qualified staff to assist additional projects with the goal of significantly improving the economic and social well being of Kenyans with special emphasis on members of Kenya's farm and non-farm rural poor.

The economic plan (1964-1969) and the Agricultural Development Plan (1970-1974) of the Government of Kenya emphasized land distribution and productivity while the 1974-1978 plan emphasizes income distribution and employment. These features are also the fundamental objectives of Technoserve's current and prospective projects.

Rural-urban migration and unemployment represent a growing problem in the Kenyan economy. At present, 100,000 new workers enter the labor market each year and industry is not expanding rapidly enough to absorb unemployed rural men and women. Technoserve's program is primarily concentrated in rural areas where employment, generated by income-producing projects, serves to alleviate urban problems by encouraging people to remain in agriculture. That sector provides the livelihood of more than 75% of the Kenyan population.

E. Description of Program Area

The Republic of Kenya covers 363,250 sq. kilometers, about 450 kilometers north and south of the Equator. It is bordered by the Indian Ocean on the southeast, Somali Republic on the northeast, Sudan on the northwest and Ethiopia on the north. The other neighboring countries are Tanzania in the south and Uganda in the west.

Because of wide variations in altitude, its climate sharply contrasts from region to region. The narrow belt alongside the Indian Ocean is humid, with an average temperature of 28°C. More than half of the land stretching north and northeast from the

coast is arid low land covered with poor grass or semi-desert. The south central region is highland ranging from 1,500 to 3,000 meters M.S.L. with subtropical and even temperate climate and heavy rainfall of up to 2,500 millimeters around Mount Kenya, the highest point, at 5,100 meters. Toward the west and northwest is the great Rift Valley at about 1,500 meters M.S.L. with a number of lakes, ample rainfall and subtropical climates.

Kenya's population approximates 13,000,000 people. 209,000 are non-indigenous (Asians, Europeans, Arabs); the rest belong to one of the many ethnic groups, the most numerous being the Kikuyu (20%) and Luo (14%).

Kenya's economy is predominately agricultural. It contributes about 35% of the country's gross domestic product and more than half of its export earnings. Manufacturing is largely the processing of agricultural raw materials. Kenya produces a variety of cash crops. However, as modern agricultural methods are not widespread, the yields for most crops are low. The main crops are coffee, maize, tea, sisal, wheat, sugar, rice, pyrethrum and cotton. Except for maize, sugar, rice and wheat raised for domestic food needs, all other principal crops are produced for the export market. Livestock and dairy production are also important agricultural enterprises for both domestic consumption, satisfying nutritional needs, and for export. Small farmers account for 51% of all agricultural production up from 22% a decade ago.

Agricultural marketing and production are the concern of some 20 statutory organizations, most of which are under the supervision of the Ministry of Agriculture. Some of these organizations have purely regulatory functions such as setting grading standards, issuing trading or processing licenses, determining production quotas or fixing prices; others undertake both processing and marketing, and still others are concerned primarily with fostering productivity.

Agriculture allotment of public development expenditures is 20% for the 1974-78 plan. As mentioned earlier, the primary objective of the third five-year plan is improved income distribution and greater employment. This is to be accomplished with

an effort to increase the Gross Domestic Product growth rate from 6.8% to 7.4% per year for 1972-78. Per capita income in Kenya is approximately \$200 per year. During the recent energy crisis, Kenya was considered among the "most severely affected" countries by the United Nations. It continues to suffer from severe drought in some areas.

F. Collaboration with Local, National and International Institutions

Technoserve cooperation with other agencies and institutions in Kenya is expected to take three forms during the period of this grant. In the implementation of its program of assisting enterprises, Technoserve anticipates that it will require, as it has in the past, assistance of other U.S. PVO organizations such as Volunteers in Technical Assistance to provide technical inputs in conjunction with certain of its projects. This will be done on a needs basis, depending upon the particular requirements of a given project. Generally, these requests would entail four kinds of tasks: selection of machinery and equipment for assisted enterprises, investigation of production processes, development of technical market data, and special technical problem solving.

The second form of cooperation could be classified as "phased" cooperation where the talents of one private or public organization may bring a group of people or a type of project to a certain level of development where additional organizations are required with different talents and abilities to render assistance of a complimentary nature to that already provided. The Isibaria project is a good example of such a phased approach where the Kuria people in the Kihancha Division of South Nyanza District had been assisted by missionaries in starting seven posho mills to process their basic food staple. Technoserve was requested to help the community take additional steps towards strengthening their economic position through a planned commercial enterprise.

The first and second forms of cooperation might be considered as horizontal in nature. The third form, which could be called vertical cooperation, relates to Technoserve's goal of local institution building. This implies gaining a working

relationship with several indigenous organizations that comprise a part of the institutional structure and environment of a country. In recent months Technoserve has begun discussions with the Ministry of Cooperative Development in Kenya leading to collaborative efforts between Technoserve and the Ministry. This may culminate in an agreement of cooperation later this year.

Such an agreement would begin the process of Technoserve acquiring financial support from the Government of Kenya. Technoserve is also seeking to establish further Kenyan financial support

by undertaking feasibility analysis and financial planning exercises for projects under consideration for financing by the Cooperative Bank of Kenya Ltd. and while funding from Kenyan sources is expected to account for \$15,000 of Technoserve's 1977 budget, it is anticipated that with the program growth projected and assuming continued good relations with Kenyan institutions, these amounts will increase to \$25,000 in 1978, \$40,000 in 1979 and \$70,000 by 1980. These projections do not include any possible direct budgetary support from the Government of Kenya.

Given the size of Technoserve projects in terms of population affected, collaboration with such Kenyan institutions, particularly from the bottom up, may be one of the best means of gaining empirical sources of data which form the basis of understanding what institutionally helps and hinders grass roots development efforts. This has the prospect of resulting in policy changes at various levels which have a base in direct field experience. These practical changes in policies and laws could serve the interests of development within Kenya.

Institution building not only implies dealing in a positive way with local constraints, but bringing Technoserve/Kenya to the point where it is more fully controlled by the country and its people. With a majority of staff being Kenyan, Technoserve feels it is moving in that direction. Increasingly, project reimbursements and eventual host governmental financial support will become a more important source of income.

III. PROGRAM ANALYSIS AND PROJECT REVIEW

A. Building a Critical Mass of Institutional Experience

Three major Technoserve-assisted enterprises currently need extensive management and technical help which could be provided in part as a result of this OPG grant

Brief descriptions, enumerations of problem areas and proposed solutions pertaining to these projects and others currently under consideration by Technoserve follow. These projects are listed as examples of the types of projects Technoserve/Kenya is increasingly being requested to assist due to the growing confidence of Kenya cooperatives and institutions developed during the four-year history of the local program.

The OPG grant, if forthcoming, would enable Technoserve to respond to some of such requests or others of a similar nature and provide the necessary personnel and services demanded. The number of new enterprises which will be assisted during this grant period must depend upon the overall availability of financial and personnel resources, as well as the level of effort required by the projects being assisted. The intention is not to maximize the number of projects assisted, but rather to maximize the benefits generated in favor of the target population. The example projects listed may or may not be receiving assistance from Technoserve in future depending upon the future needs of the projects, their viability and external social and political factors.

Finally, you will note that the projects described are medium scale, involving in some cases thousands of Kenyans. It is Technoserve's experience in working with project development over the years that such projects when assisted have a significant pay-off on a cost/benefit analysis basis. While assistance to smaller, more isolated projects is desirable and compliments Technoserve's efforts, Technoserve has found that they do not result in the local institutional change required to have a significant impact upon problems of large numbers of the poor majority. The build-up of a critical mass of "bottom-up" experience is truly a promising development.

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PROJECT - TANA RIVER RANCHING (ALIGNED MODEL)

DESCRIPTION	PROBLEM AREAS	PROPOSED SOLUTIONS
<p>The project is intended to provide a model for developing an Allied type business company for six cooperative ranches situated for development in the Tana-Tana River District. The project would be similar in concept to Allied Ranching (Taita) Limited providing engineering, accounting, and road supply services. However, the focus of the project in its early phases would be the establishment and initial capital development of the Tana River ranches. Technoserve is currently studying a request from Provincial Government Officials at the Coast to provide management and technical services to the Idi-Sa-Godaa Ranch in the district. Acceptance of this project will be in absence of personnel in the district to begin initial work on the Allied project of this Idi-Sa-Godaa ranch to a ranch.</p>	<ol style="list-style-type: none"> 1. Lack of expertise in development of ranch water supply systems. 2. Lack of expertise in establishing ranch accounting and financial control procedures. 3. Lack of physical access to workshop facilities and supplier of ranch inputs. 4. Lack of expertise in planning and implementation of commercial ranching enterprises. 	<p>Technoserve proposes to recruit and place a team of professionals to assist with the physical development on ranches in the area. This team would establish with member ranches a ranching services company to provide services to the ranches in a manner based on the Allied Ranching (Taita) model. Again Technoserve's capability to assist this project will be contingent upon the availability of adequate funding.</p>

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PROJECT - HAMBALE COOPERATIVE UNION LIMITED

DEFINITION	PROBLEM AREA	PROPOSED SOLUTIONS
<p>The Union is currently in the process of being over and operated by the Union members and staff. The Union has been established since 1974. Technical assistance has been provided to the Union regarding the management of the ginners which would be provided to the Union with a credit facility to the Union. The Union has a membership of 1,000 farmers for whom it provides marketing services for cotton and other products.</p>	<ol style="list-style-type: none"> 1. Preparation of a proposal for debt finance for the Cooperative Bank. The Union requires expertise to develop such a proposal and to plan for ginning activities during the 1978 season. 2. Technical expertise to operate the ginners after take-over. If the current Cotton Board staff at the ginners cannot be retained the Union will require outside assistance for initial management of the ginners and the training of long-term staff. 3. Cotton Production - Much of the cotton now planted at Hambale is of Ugandan origin. Extension of credit and services to members has been initiated under the USAID financed small-holder credit scheme and must be well administered if the ginners is to remain a viable enterprise. 	<p>If requested Technical assistance would consist of provision of services in person at the ginners and the linking effects in these areas with activities and a longer term. Planning and management of the ginners would be into work with efforts to assure adequate supply of raw materials (seed cotton) to the ginners.</p>

PROJECT - HAWAIIAN SAVINGS AND CREDIT SOCIETY LIMITED

PROBLEM AREA	PROBLEM AREA	PROPOSED SOLUTIONS
<p>The Society has been unable to pay dividends to members through the year 1977. The total amount of dividends payable to members is \$1,000,000. The Society has been unable to pay dividends to members through the year 1977. The total amount of dividends payable to members is \$1,000,000. The Society has been unable to pay dividends to members through the year 1977. The total amount of dividends payable to members is \$1,000,000.</p>	<p>Due to poor management in the past the Society is now under a Management Commission appointed by the Commissioner for Cooperatives. Problems areas include the following:</p> <ol style="list-style-type: none"> 1. Inadequate accounting system. Books of account not up-to-date, audit two years behind. 2. Poor financial control, lack of financial reporting and planning. 3. No statements of personal accounts given to members since 1975. Computer print outs do not provide adequate data in usable form. Result has been high default rate. 4. Society has made poor investments, failed to maintain statutory reserves, and has been unable to pay dividends to members. 5. Internal management poor - no organization chart or definition of areas of control and responsibility. Filing system inadequate for internal organization. 	<p>Technoserve has been requested to provide a management team to handle selected areas of operations including the current problem and credit control. The team will be to get the Society's operations back on a sound footing. Technoserve believes the total effort will require an input of 2 - 3 people over a period of 12 to 24 months. Technoserve will work closely in these efforts with the Department of Cooperatives and HUSCC to ensure that management approaches developed at Hawahee can be transferred to other savings and credit institutions.</p>

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PROJECT - ISEKHANA FARMERS COOPERATIVE SOCIETY LTD

DESCRIPTION

PROBLEM AREAS

PROPOSED SOLUTIONS

The Isekhana Farmers Cooperative Society was formed in 1961 in the Isekhana District. The society owns and maintains mills which are used for grinding maize. They also produce maize meal, bran, and other products. The society has a wholesaler-retailer outlet at Nigoni from which basic commodities (cloth, paraffin, soap, etc.) are distributed to more remote locations in the rural areas. The society's Committee has officially requested Technoserve to supply a manager for the enterprise.

The Society currently has no manager and has requested that Technoserve provide a person. As a result of the lack of management skills the mills have fallen into disrepair and controls over funds collected at the mills have largely lapsed. Inventory controls in the shop have not been kept up-to-date and the lack of manpower has resulted in a cut back in the produce purchasing program. Poor financial control over the produce purchase program has further more resulted in financial losses.

Technoserve has agreed to provide a manager to provide the following services:

1. Establish a regular maintenance program for the mills and build up inventory of commonly used spare parts
2. Establish and implement a system of financial control, record keeping and collection of funds at the grinding centres.
3. Improve management and inventory systems in the wholesale shop and train the Society book-keeper to improve his current recording methods.
4. Develop a business plan for the Society.

Appointment of a Technoserve manager for the Society has been approved by the Commissioner for Cooperative Development.

Technoserve has reviewed the "Guidelines Covering Funding for Private and Voluntary Organizations in Connection with Development Assistance under the Foreign Assistance Program". It is believed that Technoserve's program in Kenya well satisfies the background guidelines and eligibility requirements necessary in order to qualify for an Operational Program Grant. This is suggested for several reasons:

i) The creation of local "motivations, capacities and entities, public or private, to act meaningfully on actual economic and social problems" restates the very corporate goal of Technoserve, that is, "to demonstrate that the development of locally owned self-help enterprises is an effective means of increasing the ability of the poor majority to improve the quality of its own life and contributing to the growth of economic opportunity and human dignity for the people of Kenya". It is not enough to provide people with roads and bridges, health care facilities and educational institutions. They must find meaningful employment which provides reasonable security. Technoserve enterprises are located most often among rural people and the sponsors of projects are nationals, often cooperatives formed from the local community made up of small farmers. Technoserve's formula for reaching the poor is to join them in projects with other nationals who may be financially better off, more educated and able to carry the burden of responsibility which comes with enterprise development. Poor people benefit as producers, employees, owners and beneficiaries of services provided by projects. In that way social impact potential is enhanced. Project sponsors may be assisted with their capital requirements by Technoserve or Technoserve-sponsored institutions and other community, regional or national funding sources, but basically the projects are conceived, developed and a majority interest maintained by the local sponsors themselves. This includes the important element of front end capital contributed to a project.

In the Isibania Farmers Cooperative Society project, for example, the target population is composed of 1,800 member shareholders (shs. 20/ each) who belong to several local branches of the society spread over a 40 square mile area. Each branch

is centered around a grain milling facility. The primary advantage of these remotely located food processing facilities is that women are able to save valuable time to look after children and cultivate subsistence and cash crops. Prior to the installation of these machines, the Kuria women were spending many hours away from family and farm and often paying exorbitant prices to have their basic foodstuffs processed. In the Nambale Cooperative Union 11,000 farmer members anticipate taking over a cotton ginnery to process cotton, their primary cash crop. Technoserve is currently undertaking a feasibility study and drawing a finance plan for the Union relative to the potential ginnery takeover which will potentially bring additional benefits to the farmer owners as the value added through the processing facility passes back into their own hands. While the direct beneficiaries of the Harambee Savings and Credit Society are wage earners, the nature of the extended family system in Kenya is such that a significant portion of loans made flow back to the target population in the rural areas. Since Technoserve began working with Harambee in late April 1977, shs. 2,136,590 or 35% of the total loans made had gone either for land purchase or improvement. An additional 48% had gone toward improved housing. Seventy-three percent of all loans made were for shs. 5,000 or less.

2) The basic financial support of a Technoserve-assisted project is the local farmers, entrepreneurs and/or cooperatives and traditional local and national funding sources. Technoserve occasionally will arrange to have a church group or other agency take a minority equity share in an assisted project for purposes of resale on concessionary terms to low-income farmers, employees or organizations representing them, to insure a broad-based pattern of ownership. A Technoserve revolving fund is also occasionally used for that purpose, as well as for small loans. This mechanism also serves to leverage local capital.

The point is Technoserve strives to insure a base of ownership wherever possible which includes members of the poor majority.

3) Technoserve's assisted projects in Kenya are not established in isolation but are often linked with the national development plans of the government. Technoserve has been working closely with and receiving project proposals from government-related organizations in Kenya including the Agricultural Finance Corporation, the Department for Cooperative Development and the Cooperative Bank of Kenya Ltd. Technoserve is currently negotiating an agreement with the Ministry of Cooperative Development in Kenya to provide assistance to projects proposed by the Ministry, as well. Technoserve has prepared a series of reports at the request of the above agencies demonstrating an analysis of the current and projected financial status of a number of projects (for descriptions of some of these projects, see earlier portions of this section). In the case of the Allied Ranching Project, the Agricultural Finance Corp. has asked that Allied's financial reporting system installed by Technoserve be replicated for other ranching projects.

4) Technologies selected for a project are labor intensive and suited to the local customs of rural Kenyans where technically and economically feasible.

5) Technoserve initiates a thorough Project Study or Business Analysis of each assisted enterprise which considers in depth the availability of resources, adequate labor, storage facilities, transport and communications support, marketing potential and funding requirements and potentials of a project (see Allied study). Also, a detailed Business Plan can be provided when appropriate.

6) The interest shown in Technoserve-assisted projects in Kenya is a strong indication of the potential of the program for wide-scale application. Technoserve is able to respond to only a small fraction of worthy requests for technical assistance. The demonstration effect of its projects is a key element of achieving the Technoserve OPG goal.

7) Basically, the OPG monies will compliment funds obtained from other sources. A table on page 36 of the Proposal indicates the level of additional support which

Technoserve projects would require during the three-year period in which OPG funds would be available. The sources of these funds include churches, foundations, project reimbursements and possible host country support.

8) The Allied project mentioned earlier is a typical example of the innovative aspects of the Technoserve-assisted enterprises. There, a service company assists several ranches with "software" technology which includes financial, engineering and management services of a broad variety. The OPG grant would assist Technoserve to expand this kind of an innovative approach to development in Kenya.

9) Although Technoserve is not a consortium, its entire program hinges upon its demonstrated ability to draw together the various elements and institutions available within a country to make the development process work for low-income people. As distinguished from organizational consortia which sometimes are unwieldy, Technoserve's approach might be characterized as operational consortia. At the grass roots level Technoserve is interested in seeing a dynamic process initiated and it is Technoserve's experience that this requires cooperation at all levels within a country.

10) Technoserve's program is directed towards members of the poor majority of the population. Activities are based on local initiative and the strengthening of local capabilities among farm and non-farm poor, joining them with others who have greater economic and political resources so that this poor majority can engage in constructive income-producing work and thereby improve their purchasing power and standard of living. (See enclosures for paper entitled "Technoserve Works With the Poor Majority in Developing Countries").

Most projects have a relatively low capital/cost per job ratio. On-the-job management and technical training is a component of each project, working towards an even greater assumption of responsibility by the local national.

12) While recognizing the realities of the local environment, Technoserve's program makes every effort to assist women in becoming an integral part of the economic development of Kenya. Women are members of some cooperatives whose projects are

assisted by Technoserve, i.e., the Hirambee Cooperative has a large number of women civil servants in its membership. Also see Allied Project Study, pp. 11-12. In that project, large numbers of women have already benefited by village water reticulation schemes.

There are five senior level management positions in the Technoserve home office in Darien, Connecticut. One of these positions is filled by a woman. Technoserve elected three women to sit on its Board of Directors at its May 1977 Annual Meeting and two women were elected to the eight-member Executive Committee. Two of eight Technoserve officers are women.

IV. PROGRAM DESIGN AND IMPLEMENTATION

A. General Methodology

Based on its experience in the specialized field of self-help enterprise development in Kenya and elsewhere, Technoserve has produced a methodology or process of assistance which it regards as effective in assisting low-income peoples. Technoserve's effectiveness is based in part on the fact that its program is focused primarily on one element in the development process -- self-help enterprise development. This concentration has made it possible to develop the expertise, procedures, staff, criteria and reputation necessary to an organization to operate effectively.

Technoserve's approach to self-help enterprise development is best characterized by a sense of partnership and mutual trust between local project sponsors and Technoserve. It characterizes its enterprises as "partnerships in shared risk" where local sponsors' conceptualization, involvement, control and commitment to a project is vital.

B. Technoserve Roles

In the development of enterprises, Technoserve is ordinarily work project sponsors who are relatively inexperienced and lack the technical necessary for business planning and development, loan preparation, techn etc. Technoserve fills any or all of the following four roles in workin groups:

Catalytic Role -- Self-help enterprise development germinates among people who believe in themselves, who have skills, and who perceive a real prospect of progress emerging. Technoserve assists such groups to operationalize their aims and objectives by providing ad hoc technical advice regarding technologies, organization structures, bank procedures and criteria, business management, etc. Such advice may be offered at the pre-startup stages as new enterprises are in formation or during the consolidation (turn-around) stage when operating enterprises have run into difficulties. The objective of this process is to increase the confidence and management ability of the sponsor group by helping it to avoid or correct mistakes.

Management Assistance and Training Role -- Sound business planning and a capable management team are essential components of the enterprise development process. Sufficiently skilled management personnel are frequently not available to embryonic enterprises, especially in rural areas. Technoserve responds to this problem by conducting a comprehensive and credible feasibility analysis, preparing a detailed business plan, providing short-term management personnel and training employees of the enterprise to take over management responsibility.

Technical Assistance Role -- The selection of appropriate technologies and their installation are enterprise development components requiring a high degree of specialized effort over a short period. By filling this role with the enterprises it assists, Technoserve is able to broaden the scope of technologies available to new enterprises and assist with the selection, procurement and installation processes.

Capital Assistance Role -- While Technoserve insists that a substantial amount of the required capital be raised by the project sponsors, it is always necessary to raise outside capital as well, before an enterprise can become fully operational. Technoserve does not provide cash grants to enterprises under any circumstances but it does assist the capitalization process in a number of ways. The feasibility analysis and business plans are critical instruments to this process and Technoserve is able to assist the sponsors to identify potential debt and, if necessary, equity funders from

which to solicit outside capital support. While most capital requirements are met from in-country sources, Technoserve is able to leverage such funds with external loans, guarantees, equity when such investment will facilitate the development process.

Technoserve's overall role in the enterprise development process may best be characterized as one of "lending" the enterprise the professional, technical and managerial "knowhow" it requires to become viable, training the project sponsors to assure increasing operational responsibility, providing the necessary credibility to obtain required capital funding, government approvals, etc. and phasing itself out of operations.

C. Enterprise Selection Criteria

Detailed criteria for project selection have also been developed by Technoserve. The following formal statement appears in Technoserve's documentation and represents the basic criteria for project selection:

"Requests for assistance are evaluated on the basis of the following standardized criteria.

The prospective self-help enterprise should:

- Have measurable potential for economic viability;
- Demonstrate it is in the local community's interest meeting the needs of low-income people;
- Have as wide a base of ownership as is possible and practical, in accord with national regulations and priorities;
- Have adequate leadership provided by local nationals who are willing to work closely with Technoserve and other advisory organizations in the best interests of their community;
- Be labor intensive where technically and economically feasible;
- Utilize, whenever possible, locally available raw materials, particularly agricultural products;
- Have adequate local participation in the form of cash investments or non-monetary resources;

- Require a total capital investment of between \$40,000 \$500,000 in its early period of operation.
- Not discriminate in favor of any one particular group or sex;
- Not have ready access elsewhere to resources and services which Technoserve provides."

D. Implementation Policies and Procedures

Technoserve has also developed extensive policies and procedures, including outlines and guides to project planning and implementation, to assist program management and training of staff. A 20-point Procedures Manual for assisting projects and developing country programs is available to all staff members. A 17-point Personnel and Administrative Policies Manual approved by AID Washington is also available to staff for the basic administration of the program.

E. Project Development

Most projects receiving assistance from Technoserve develop through the following steps:

1. Project Identification and Analysis -- Interested individuals and groups contact or are referred to Technoserve for assistance in the development of their own enterprises. The proposed project is initially evaluated according to Technoserve's criteria. A close professional relationship is established between the project sponsors and Technoserve's overseas staff.
2. Preliminary Project Report -- If the initial evaluation is positive, a Preliminary Project Report is drawn up and a Memorandum of Understanding is negotiated between the sponsors and Technoserve. The latter sets forth the terms and conditions under which the project will be developed, management assistance and training provided, needed capital located, ownership shared and expenses reimbursed as appropriate. If an agreement is reached, a study Implementation Plan and a formal Project Study are initiated.

3. Project Study and Project Working Agreement --

Technoserve, in close cooperation with the sponsors, undertakes a detailed professional evaluation of the potential social and economic viability of the project. A Project Working Agreement is negotiated and incorporated into the study, setting forth the terms of the working relationship between the sponsors and Technoserve.

4. Capital Requirements and Business Plan -- Local banks and other financial sources are contacted to provide debt and/or equity capital for the enterprise. Technoserve may also provide capital from its Revolving Development Fund where circumstances dictate. At this time a detailed business plan may be prepared and implemented.

5. Implementation and Evaluation -- Technoserve assists with all phases of development per the terms of the Project Working Agreement. Technoserve, in corporation with the sponsors and funding agencies, will monitor and evaluate the progress of the project throughout its development.

The above steps apply primarily to the start up of new projects, Technoserve Kenya also provides assistance directed toward the sustaining and upgrading of on-going enterprise or project activities and the regeneration and turn around of existing enterprises. A case in point is the Harambee Savings and Credit Society project. Here, Technoserve was asked to help in the regeneration and upgrading of the society's management information and control systems. Audits had not been completed since 1974 and accounts were not current. Thus it was necessary to enter into an interim agreement prior to a full determination of the society's financial position and its potential economic and social viability. Such cases are regarded as exceptions to the normal process. However Technoserve must have the flexibility to adequately service needy projects of this type. A Business Analysis is usually performed when on-going enterprises or business activities require extensive research into their needs.

. Operational Procedures and Controls

It is recommended that technical assistance grant funds which may be forthcoming from an OPG grant be deposited in a special account in the United States or Kenya. Consistent with standard AID procedures, Technoserve would receive an advance, then draw against those funds for allowable expenditures after the expenditures had been incurred. Reconciling vouchers would be submitted to AID on a monthly or quarterly basis, as desired. Each half year Technoserve would complete its Semi-Annual Report, giving a detailed analysis of program and project expenditures broken down by function (e.g., assistance to Allied) and by the line items shown in the budgets presented with this proposal and submit it to USAID/Kenya.

Technoserve's accounts are audited annually by Price Waterhouse & Company. Copies of the audited financial statements would be provided to AID. (Among the enclosures is our most recent financial report).

G. Staffing and Implementation Schedule

Given sufficient budget support, it is anticipated that the present program staff of 12 will expand to 18 by FY '81.

Apart from clerical staff, career-oriented professional staff, both men and women, with experience in development projects with social impact and a sensitivity to the needs of low-income people will be sought. Special business advisory staff will generally have a university degree with a specialization in business, agriculture/animal husbandry or economics. When required by projects, staff members will have technical knowledge relative to food production and processing, animal husbandry, farm management or financial analysis ability in commercial enterprises. Business or economic specialists will have a knowledge of accounting and finance relative to establishing business enterprise and/or evaluating existing operations. Special business advisors will usually have a minimum of two years practical experience in their field of specialization.

The average annual cost of providing a full-time, on-site professional staff member will approximate \$21,000 in FY '73,

\$25,000 in FY '79 and \$26,000 in FY '80, allowing for inflation and the increasing skill and experience of these men and women. These figures include not only salary costs but related benefits, the cost of local travel and international relocation, and other direct overhead costs.

In addition, short-term supervisory and technical services from Technoserve's home office will be provided the Kenyan program and projects to assist with their development.

V. FINANCIAL HISTORY AND PLAN

The following tables reflect the expenses Technoserve has incurred in support of its program in Kenya since the inception of that program and the anticipated expenses and sources of funds for FY '78, FY '79 and FY '80. A chart of Technoserve's expense accounts is also attached.

It should be emphasized that the "Home Office Responsibility" costs are not overhead (General and Administrative) costs, but rather costs incurred by staff members who directly assist or supervise Technoserve/Kenya employees in preparing business plans, procuring equipment for the projects and providing on-site support as needed.

Technoserve/Kenya Expenses - CY 1973-1976

	<u>1-12/73</u>	<u>1-12/74</u>	<u>1-12/75</u>	<u>1-12/76</u>
Overseas Responsibility				
01 Wages & Associated Costs	\$17,600	\$23,964	\$46,044	\$102,629
02 Office Operations	1,610	3,792	7,115	13,362
03 Internat'l. Travel & Assoc. Costs	6,175	6,614	4,779	17,583
04 Travel & Assoc. Costs in Kenya	11,000	15,560	21,265	31,525
05 Furniture & Equipment	3,340	638	1,228	3,257
06 Other	666	286	113	258
Home Office Responsibility				
11 Wages & Assoc. Costs	6,951	8,371	11,553	17,919
12 Office Operations		710	2,212	3,174
13 International Travel & Assoc. Costs	4,550	4,381	4,031	4,129
Total Program Expenses	<u>\$51,857</u>	<u>\$54,316</u>	<u>\$98,340</u>	<u>\$193,876</u>

Note: Expenses in the 03 and 13 categories prior to CY 1976 are here reclassified, for illustrative purposes only, to correspond to the account definitions adopted in that year.

* Includes expenses incurred in support of TMS/Uganda

Budget Summary Projections
((\$000))

	<u>CY 1978</u> <u>01-12/78</u>	<u>CY 1979</u> <u>01-12/79</u>	<u>CY 1980</u> <u>01-12/80</u>
Cost Elements			
Salaries & Benefits	\$ 212	\$ 245	\$ 272
Travel & Allowances	67	70	70
Office Expenses	35	35	38
Other Program Costs	13	13	15
Supporting Services	33	37	40
	<u>\$ 360</u>	<u>\$ 400</u>	<u>\$ 435</u>
Support & Revenue			
USAID/Kenya OPG	\$ 165	\$ 180	\$ 155
Revenue (a)	25	40	70
Other Sources & TNS Funds	170	180	210
	<u>\$ 360</u>	<u>\$ 400</u>	<u>\$435</u>

(a) Fees paid Technoserve by Kenyan enterprises or institutions receiving Technoserve assistance.

Notes:

- (1) Technoserve understand that it may not charge the OPG more than the amount obligated by USAID/Kenya and that adjustments among the line cost elements are unrestricted.
- (2) Technoserve's financial statements are prepared in conformity with generally accepted accounting principles and are audited annually by Price Waterhouse & Co. Technoserve uses its standard chart of expense accounts in the preparation of its financial statements. Budget projections are estimates and are presented for illustrative purposes.

Technoserve, Inc. Financial Plan - Budget
(\$000)

	<u>Total CY 78</u>		<u>CY 79</u>		<u>CY 80</u>	
	<u>Total Est. Cost</u>	<u>Total AID Obligated Amount</u>	<u>Total Est. Cost</u>	<u>Total AID Obligated Amount</u>	<u>Total Est. Cost</u>	<u>Total AID Obligated Amount</u>
<u>Personnel Costs (1)</u>						
US Technicians	\$ 78	\$ 40	\$ 86	\$ 45	\$ 95	\$ 40
Third Country Personnel	23	10	25	10	28	10
Local Personnel	66	30	88	38	104	30
Consultants	45	30	46	30	45	25
<u>Training Costs (2)</u>	-0-	-0-	-0-	-0-	-0-	-0-
<u>Commodities (3)</u>	-0-	-0-	-0-	-0-	-0-	-0-
<u>Other Costs</u>						
Travel & Allowances	67	35	70	36	70	30
Office Expenses	35	15	35	16	38	15
Other Program Costs	13	5	13	5	15	5
Supporting Services	33	-0-	37	-0-	40	-0-
Total	\$360	\$165	\$400	\$180	\$435	\$155

(1), (2), (3) -- See Attached Detail

Financial Plan/Detail and Description of Cost Elements

(1) Personnel Costs: Expenses consist of salaries, wages and benefits paid to Technoserve personnel engaged in Technoserve/Kenya activities. Said personnel includes all Technoserve/Kenya staff in Kenya plus U.S. supervisory/backstop staff when working on Technoserve/Kenya matters and other outside technical consultants.

Technoserve staff salary costs include all benefits such as housing allowance, Social Security, retirement, insurance, cost of living allowance, etc.

Schedule of Man-Months:

	CY 78	CY 79	CY 80
U.S. Technicians	42	48	48
Third Country Personnel	12	12	12
Local Personnel	120	144	156
Consultants - U.S. Staff and outside technicians	24	22	20

(2) Training Costs: Training is an integral part of Technoserve's on going self-help enterprise development program and costs of training are included within Salaries and Benefits, Office Expenses, Travel, etc.

(3) Commodities: Technoserve does not anticipate purchasing any "commodities" as part of the OPG.

Other Costs:

Travel & Allowances: Expenses consist of the following types:

- Technoserve/Kenya vehicle operating, maintenance, insurance and depreciation expenses
- Lodging and living expenses of staff and consultants
- The cost of air travel in Kenya and between Kenya and the U.S.

-- Other costs (shots, visas, shipping) of relocating Technoserve staff to, within and from Kenya

Office Expenses: Consists of the following types of expenses:

- Occupancy - office rent, maintenance, utilities
- Communications - telephone, cable, postage
- Supplies - paper, typewriter ribbons, pocket calculators
- Bank charges

Other Program Costs: Include, but are not limited to:

- Outside services, costs such as fees paid consultants, auditors and lawyers; wages paid temporary clerical and administrative staff
- Furniture and equipment costs (items costing more than \$350 are capitalized; their depreciation expense is charged to this account)

Supporting Services: Expenses are those which, while essential to the funding and central administration of Technoserve, Inc., are not charged directly to Technoserve/Kenya but are rather treated as overhead. Pending the establishment of an overhead rate, no USAID/Kenya grant funds will be used to cover Supporting Services expenses. The amounts shown (roughly 10% of TNS/Kenya expenses) should be regarded as illustrative.

EVALUATION

INTRODUCTION:

Technoserve's methods and procedures for evaluation are designed according to the Logical Framework system of the Agency for International Development. The Log Frame itself is described on page 7.

PURPOSE:

Technoserve's evaluation system is designed to serve several purposes:

1. To determine the merit of the Technoserve approach within Kenya.
2. To examine the validity of Technoserve's hypothesis that links its outputs with its purposes and its purposes with its goals.
3. To examine the relationships that exist between program inputs, mediating factors and observed outcomes to understand what works, at what costs, and what does not.
4. To feed operational and policy recommendations back into the planning, programming, budgeting and management processes of Technoserve in a timely manner.
5. To gather systematically the lessons of the past in order to improve future programs and the "state of the art".

DESIGN PARAMETERS:

Certain parameters have governed the final shape of Technoserve's evaluation system. These are as follows:

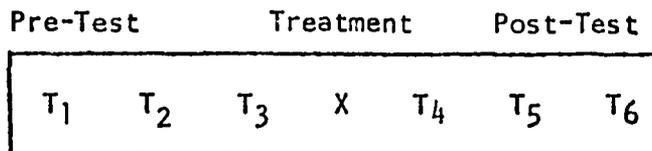
1. That the system use data collection procedures which are already largely a part of Technoserve's management information systems.
2. That the system itself be low in cost and be oriented chiefly toward practical, as opposed to theoretical, matters of the enterprise development process;

3. That the system not substantially increase the workloads or paperwork of the Technoserve staff; and
4. That the system be designed so that it can be approved by the Kenyan government.

OVERALL DESIGN CONCEPT:

A basic "one-group time series design" is suggested for the Kenyan project.

Schematically, the design concept looks like the following:



The one-group time series design concept is based on several measurements taken before and after annual segments of the project, and on the fact that the use of control groups in Kenya by Technoserve is almost impossible politically, at the very least high cost, and probably not necessary from an evaluation point of view.

The several measurements (T₁, T₂, T₃) taken before the project starts are intended to modestly control for possible sources of internal invalidity. These sources may be due to:

- Maturation - Where institutions and people change simply because of time;
- Contemporary History - Where change may be attributed to the coincidence of some influential event other than that caused by Technoserve.

The several measurements (T₄, T₅ & T₆) taken after the project starts are intended to pick up both short and long-term effects of the project.

The overall design concept represented above is expected to result in comparisons made between (T₁, T₂ & T₃) and (T₄, T₅ & T₆).

In the next section, T₁, T₂ & T₃ measurements fall under the category of Pre-Project Baseline Surveys and Analyses. T₄, T₅ & T₆ measurements fall under the category of Routine Annual Plan VS. Actual Performance Assessments. T₆ measurements may also be considered part of Post-Project Evaluation.

MEANS OF VERIFICATION:

Five mechanisms are employed to achieve the fit between the logic of the Log Frame and the design parameters imposed by Technoserve. The four mechanisms described below entitled (a) through (d) relate to the output and purpose levels of the Logframe. The mechanism entitled (e) relates to the goal level of the Logframe. The relationship between (a) through (d) and Technoserve's Management Information System is described in chart I on page 5.

- a) Pre-Project Baseline Surveys and Analyses: To observe any change that can be attributed to Technoserve, it is first necessary to establish what institutions, systems or people were like prior to Technoserve's involvement. These surveys or analyses will consist of data collected largely, though not exclusively, through Technoserve's existing management information system. When called for because of the nature of a particular project or enterprise, additional information may be obtained through additional interview or document reviews.
- b) Routine Plan versus Actual Performance Assessments: Routine plan vs. actual performance assessments are periodic (usually annual) evaluations for determining the extent to which country programs are achieving their purpose / identify and to / factors which may be inhibiting or promoting program achievement.
- c) Post-Project Evaluations: Post-project evaluations may be conducted at the end of each funding cycle or at the end of some other long-term period. The exact period may be stipulated in the initial contract agreements between Technoserve and AID or determined by Technoserve in response to other needs. These evaluations are designed to expand on the assessments described in (b) above and to achieve the five purposes for evaluation mentioned earlier. Such analyses may consist of: a) a review of program documents; b) interviews of key informants; and/or c) observations of program outcomes.

- d) Routine Documentation: The routine documentation of any project will be carried out as a normal and ongoing part of Technoserve's management information system. The key purpose of documentation is to record Technoserve activity and the occurrences of influential events which may be coincident with Technoserve's activities.
- e) Selective Case Study Impact Analysis: The validity of Technoserve's long-term development hypothesis stated at the Goal level in the Logframe may be tested by Selective Case Study Impact Analyses which would be:
- designed and carried out jointly by USAID, Technoserve and Kenyan officials
 - separately funded by USAID
 - carried out at a future time mutually agreed by the parties concerned; possibly beyond the grant period.

Chart 1

Functional Relationship Between Technoserve's
Management Information and Evaluation Systems

Evaluation System					
Means of Verification					
Technoserve's Management Information System	Frequency of Reporting	Baseline Surveys	Routine Plan VS. Actual Assessments	Post Project Evaluation	Documentation
Project Analysis	once	X			
Project Plans			X	X	
Things List	bi-monthly		X	X	X
Variance Analysis	monthly				X

Chart 1 above shows the functional relationships between Technoserve's management information and evaluation systems. The first two columns on the left list Technoserve management information documents and the frequency with which they occur. The remaining columns list the four means of verification of the evaluation system. The checkmarks indicate where Technoserve's Management Information System fulfills one or more of the functions of Technoserve's evaluation system.

LOGICAL FRAMEWORK:

The Logical Framework matrix which follows is a comprehensive presentation of what Technoserve expects to accomplish in Kenya over the next three years if the present OPG is approved. It includes verifiable indicators at all levels below goal and means of verifying the achievement of those targets.

The goal of the Technoserve/Kenya program is clearly stated, but goal level evaluation is not projected to take place within the grant period for several reasons:

- the assumption that increased economic activity (enterprise development) can lead to improved economic and social well-being for the poor majority shared by AID, Technoserve and many other agencies as well as the Government of Kenya;
- The evaluation of whether increased economic activity does in fact benefit the poor majority in a particular case is very costly and not reasonable to include in a \$500,000 grant;
- The time frame of the current grant, 3 years, is too short to allow meaningful evaluation of socio-economic change in the target group;
- The time frame of the current grant is too short to allow for in-depth evaluation of the effectiveness of increased Kenyan enterprise development capability resulting from Technoserve efforts. Progress may be demonstrated in the Routine Plan vs. Actual Assessments and assessed at Post Project Evaluation.

In examining the Purpose Level indicators (EOPS) Technoserve wishes to emphasize that individual indicators cannot be looked at in isolation. It is the progress made in achieving the "set" of indicators that will indicate most accurately the progress of the Kenya program. If other, more meaningful indicators appear as the project progresses, Technoserve will wish to include them in the "set". The enterprise development process is dynamic and the Logframe must be capable of adapting to that dynamism in order to remain an accurate description of the project and a valid means of evaluating it.

LOG FRAME DRAFT
FOR KENYA OPG PROP

A-1 <u>Goal</u>	A-2 <u>Measures of Goal Achievement</u>	A-3 <u>Means of Verification</u>	A-4 <u>Assumptions</u>
<p>To improve the economic and social well-being of the poor majority in Kenya through the self-help enterprise development process</p>	<p>Increased Kenyan support for the enterprise development process may be indicated in terms of:</p> <ul style="list-style-type: none"> -- contribution of services -- contribution of money -- changes in policies -- changes in infrastructure -- participation of training sessions -- adoption of systems -- involvement of women -- adoption of new or revised technologies -- unanticipated spillover effects 	<p>Selective Case Study and Impact Analysis.</p> <p>(e) Refer to Page 38</p>	<p>Increased Kenyan capability leading to a better enterprise development process will foster Kenyan self reliance and improve the social and economic well being of the poor majority, particularly in areas such as jobs, income and productivity.</p>

LOG FRAME DRAFT
FOR KENYA OPG PROP

B-1 <u>Project Purpose</u>	B-2 <u>End of Project Status</u>	B-3 <u>Means of Verification</u>	B-4 <u>Assumptions</u>
<p>To expedite the self-help enterprise development process in Kenya and foster local capability in support of self-help enterprise development.</p>	<p>I. Agreements or Legal Instruments Enacted (3-8 per annum)</p> <p>II. Systems or Procedures Installed/Implemented (3-8 per annum)</p> <p>III. Policies Effectuated/Changed (0-4 per annum)</p> <p>IV. Training Programs Implemented (2-4 per annum)</p> <p>V. Training Materials Developed (2-6 per annum)</p>	<p>a) Baseline Surveys & Analyses</p> <p>b) Routine Plan vs. Actual Assessments</p> <p>c) Post-Project Evaluation</p> <p>d) Routine documentation</p> <p>Refer to page 37-38</p>	<p>The development of self-help enterprises in Kenya is an effective means of improving the economic and social well-being of the poor majority.</p> <p>The methodology of the TNS self-help enterprise development program is compatible with local regional and national objectives and aspirations.</p> <p>Continuing social, economic and political stability in Kenya</p> <p>Increased Kenyan self-help enterprise development capability and the positive impact of successful enterprises will lead to increasing Kenyan support of the self-help enterprise development process.</p>

LOG FRAME DRAFT
FOR KENYA OPG PROP

C-1 <u>Project Outputs</u>	C-2 <u>Magnitude of Outputs</u>	C-3 <u>Means of Verification</u>	C-4 <u>Assumptions</u>
<p>Apply TNS' capability to projects that:</p> <ul style="list-style-type: none"> -- Expedite development of self-help enterprises. -- Involve the poor majority in self-help enterprises. -- Share TNS' capability with other enterprise development entities. 	<ul style="list-style-type: none"> -- Project Requests Investigated (8 to 10 per annum) -- Project Analysis (4-6/annum) -- Project Plans (3-5/annum) -- Project Agreements (3-5 per annum) 	<ul style="list-style-type: none"> A. Baseline Surveys & Analyses B. Routine Plan vs Actual Assessments C. Post-Project Evaluation D. Routine Documentation <p>Refer to Page 37-38</p>	<ul style="list-style-type: none"> -- Retention and effective performance of TNS professional staff. -- Sponsor groups receptive to cooperating with TNS to accomplish outputs. -- Public and private institutions receptive to cooperating with TNS to accomplish outputs. -- Effectiveness of TNS' assistance to development of enterprises. -- TNS analysis and recommendations accepted and implemented by sponsor groups. -- Enterprises and institutions assisted have continuing freedom of operation as constituted. -- Relative social, economic and political stability. -- Absence of natural disasters. -- Absence of adverse international economic and political events negatively impacting on Kenya. -- Availability of necessary foreign exchange. -- Availability of necessary long debt and equity capital. -- No significant deterioration of infrastructure and marketing channels.

LOG FRAME DRAFT
FOR KENYA OPG PROP

D-1 <u>Project Inputs</u>	D-2 <u>Implementation Targets</u>	D-3 <u>Means of Verification</u>	D-4 <u>Assumptions</u>
<p>These consist of:</p> <ul style="list-style-type: none"> -- Money -- Personnel -- TNS Procedures and Controls 	<ul style="list-style-type: none"> -- Budget Projections -- Staff Projections -- TNS operating systems, procedures and controls in place 	<ul style="list-style-type: none"> -- TNS Records -- Audited Annual Statements 	<ul style="list-style-type: none"> -- Availability of resources from AID and other sources. -- Availability of motivated and qualified staff. -- Local interest in, and requests for, TNS assistance. -- Official authorization for TNS and its personnel to operate in Kenya. -- Acceptability of TNS procedures and controls by Kenyan institutions.

ILLUSTRATIVE LISTING OF PURPOSE LEVEL INDICATORS

Technoserve has developed categories of purpose level indicators in order to more effectively demonstrate the impact, breadth and diversity of the enterprise development process. The following sublistings of indicators of TNS purpose accomplishment, direct or indirect, are provided in order to give more definition to Technoserve's categories of projected purpose results. These listings are not inclusive due to the dynamics of the enterprise development process. A short narrative will be provided with each reported indicator. In addition, reported individual indicators falling within projected categories will be sub-grouped into levels: a.) Enterprise, i.e.: accomplishments of purpose within specific enterprises such as Allied Ranching, the Harambee Savings & Credit Society and the Isibania Cooperative; b.) Institutional, i.e.: accomplishments of purpose with public and private entities such as the Cooperative Bank of Kenya, K.U.S.C.C.O., the IESC or the World Bank; and c.) Governmental, I.E.: parastatal ministries such as the Agricultural Finance Corporation of Kenya (AFC), the Ministry of Cooperative Development and the Cooperative Dept. of Kenya, etc. These sub-groups will be reported in order to more effectively demonstrate the potential impact of the accomplishments of purpose by and through Technoserve assistance.

Category I: "Agreements or Legal Instruments Enacted"

- i.e. - Project Working Agreements or Service Contracts
- Loan Agreements
- Papers of Incorporation
- By-laws
- Purchase Contracts
- Stock Restriction Agreements
- Licenses

Category II: "Systems or Procedures Installed/Implemented"

- i.e. - Accounting Systems
- Business Plannings Systems (Marketing, construction, production, financial, etc.)
- Management Information Systems
- Business Analysis and/or Feasibility Study Procedures
- Control Systems (Financial, inventory, planning, etc.)
- Credit Procedures
- Production Processes, etc.

Category III: "Policies Effectuated/Changed (normally as a result of consultation, collaboration and/or direct assistance)"

- i.e. - Loan Policies
- Operating or Procedural Policies
- Personnel Policies
- Statutory
- Marketing and Sales
- Credit
- Corporate or Institutional, etc.

Category IV: "Training Programs Implemented"

- i.e. - non-formal counterpart (mgmt, tech., supervisory, etc.)
- in-service (mgmt., tech., supervisory, etc.)
- formal instruction (Univ. of Nairobi, Kenya Institute of Management, etc)
- seminars
- TNS Classes
- Women in training
- Orientation programs etc.

Category V: "Training Materials Developed"

- i.e. - Job Descriptions/organizational chart
- Accounting Manuals
- Manuals of administrative procedure or policy
- Manuals of production processes or operational procedures
- Marketing/sales manuals
- Credit Manuals
- Manuals of personnel policies.
- etc.

Output Level Indicators

Definitions

Project Requests Investigated: The number of project requests received by TNS which TNS investigates or prescreens during the reporting period. Materials must be available in TNS files documenting the request and the investigation.

Project Analysis: The number of economic, institutional or social project analyses completed during the reporting period. To qualify as an output, each analysis should be complete and in written form.

Project Plans: Number of economic, institutional or social project plans developed to guide the implementation and/or operations of projects. To qualify as an output, each plan must be complete and in written form.

Project Agreements: Number of formal project related agreements. To qualify as an output, each agreement must be complete and in written form.

Waiver Consideration

As a part of its OPG proposal to AID, Technoserve would like formally to request that the following AID requirements be waived:

- 1) Travel approvals -- Technoserve requests that the requirement for 30-day advance notice and concurrence by cognizant technical office be waived and blanket approval be granted for all travel to Kenya which will be charged against OPG funds;
- 2) Approval of Sub-Grantees/Sub-Contractors -- Technoserve requests that it be allowed to arrange the following possible subordinate agreements without obtaining the written consent of AID at the time of their execution:
 - a) Contracts with professional executive search agencies in Kenya to recruit personnel under the OPG if Technoserve alone cannot locate the necessary personnel;
 - b) Contracts with printers for any publication or study performed under the OPG;
 - c) Lease arrangements for office space in Kenya

TECHNOSERVE WORKS WITH THE POOR MAJORITY
IN DEVELOPING COUNTRIES

While there is no generally accepted definition of the "poor majority", most development organizations agree that people who lack the economic and social resources to achieve a standard of living in accordance with human dignity are poor.

The Overseas Development Council uses a Physical Quality of Life Index (PQLI) based upon literacy, infant mortality and life expectancy. ODC also has divided the countries of the world into income groupings with the lowest income grouping comprised of nations having less than \$300 per capital annual income.

As a basis for determining how many of the persons it helps can be classified within the "poor majority" in developing countries, Technoserve uses a working definition that the "poor majority" is made up of people with per capita incomes less than \$300 per year and lacking the economic and social resources to achieve a standard of living in accordance with human dignity. Technoserve recognizes the validity of indicators such as Literacy, Infant Mortality, Life Expectancy, Availability of Potable Water, etc., but is not able to relate these to village level activities without diverting a substantial portion of its program funds into the evaluation effort. However, applying the above stated working definition, it is possible to demonstrate Technoserve's impact upon the "poor majority".

Technoserve collects output indicator data on all of its projects on a quarterly basis. This data related to Total Population Benefitted, Income Accruing to Nationals, Jobs Created or Sustained and other enterprise related information.

In determining Technoserve's impact upon the "poor majority" during the period January - December 1976, the data collected for the first two categories has been analyzed, using the methodology described in the Note below.

The results which were obtained are as follows:

Total Population Affected	97,930
% "poor majority"	90%
Poor Majority Affected	88,137
Total Income Accruing to Nationals	\$2,000,000
% to "poor majority"	80%
Income Accruing to "Poor Majority"	\$1,776,000
Per Capital Income Accruing to "Poor Majority:	\$ 20.10

If funds become available in future for further research, Technoserve will welcome in-depth investigation and compilation of empirical data.

Note: The methodology used in arriving at the above results was as follows:

- The "Total Population Affected" and "Income Accruing to Nationals" figures for each of the active projects were gathered from the most current data.
- Six members of the professional staff were polled independently to determine the percentage of people affected by each project, who may be considered as members of the poor majority. Also, the extent to which the "Income Accruing to Nationals" was directed to that group was calculated.
- The results obtained above were averaged on a simple basis and rounded to the nearest percentage point.
- The above averages were then applied to the "Total Population Affected" and "Income Accruing to Nationals" data and the results totaled.