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**Kenya:
Kibera's Small
Enterprise Sector
Baseline Survey
Report**

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GROWTH and EQUITY through MICROENTERPRISE INVESTMENTS and INSTITUTIONS
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**Kenya:
Kibera's Small Enterprise Sector
Baseline Survey Report**

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EXECUTIVE SUMMARY

Kibera Division, which contains Nairobi's largest slum, has a vast small enterprise sector, with over 7,350 enterprises. One-third of all households have a small enterprise activity, and 11 percent of adults are engaged in small enterprises on a full-time basis.

On average, Kibera's small enterprises have 1.8 workers, and most (99.5 percent) have 10 or fewer workers. Over two-thirds of enterprises (68.4 percent) are involved in trade activities, most frequently vending basic necessities such as food, fuel, and water. Of the 22 percent of enterprises in manufacturing, the bulk are in tailoring, shoemaking, and carpentry. The service sector, which makes up 9.2 percent of the population, is dominated by the activities of hairdressing and renting rooms.

Kibera's enterprises are found mainly along paths and inside people's residences, with only one-fifth located in market areas. Few linkages, either forward or backward, exist between Kibera enterprises; however, they depend heavily on non-Kibera businesses for inputs and, in a few cases, for subcontracts. The sector is evenly divided between men and women entrepreneurs. Although over half (60 percent) of Kibera's enterprises have not grown in size since they opened, the overall average growth of enterprises (in number of workers) has been 20 percent a year, reflecting sizable dynamism in the sector. High-growth sectors are manufacturing and construction. In addition, male-owned businesses and the more visible roadside and market-based businesses show higher-than-average growth rates.

The average enterprise operates for about three years. Reasons for business closure often do not depend on the business itself, but reflect other opportunities facing the entrepreneur; personal considerations; and outside influences on the business such as vandalism, harassment, or natural calamity. Once businesses are closed, many entrepreneurs do not re-enter the small enterprise sector but pursue employment or end up without any income-earning activity.

Striking differences emerge in male- and female-run businesses. Female-run businesses are more common in commerce, whereas businesses run by males are dominant in manufacturing, construction, and services. Female-run businesses start smaller, grow slower, and live shorter periods than their male-run counterparts. In addition, women tend to close their businesses for personal reasons, whereas men are more likely to base choice of activity on the potential of the activity itself. Furthermore, men are more likely to re-enter business or get a job in the formal sector, while women often end up without any income-earning activity.

CHAPTER ONE

INTRODUCTION

This paper reports on a baseline survey of small enterprise activities in Kibera Division, Nairobi, Kenya, which was undertaken in November and December of 1990. The survey was a joint effort of Kenya Rural Enterprise Programme (Kenya REP), a Nairobi-based nongovernmental organization (NGO) providing financial and nonfinancial assistance to informal sector entrepreneurs, and Michigan State University.

PURPOSE OF THE SURVEY

The survey was undertaken for three main reasons. First, little is known about the extent and characteristics of small enterprises in the urban informal settlements (or slums) of Nairobi. This lack of information hampers organizations that carry out programs to assist small enterprises in these locations, creating difficulties in identifying enterprises that need assistance and in understanding their situation and needs. A few recent studies of the slum-based enterprises have begun to shed light on the nature of these enterprises (for example, Mwega, 1990, and McCormick, 1989). The studies have had little success, however, in identifying the extent of small enterprise activities. In contrast, this survey measures the extent of the sector, both in absolute terms and relative to the total population of Kibera, by conducting a complete census of the small enterprise population of Kibera. In addition, it sheds additional light on the type and characteristics of small enterprises in an urban slum setting.

The second goal of the survey was a practical one for Kenya REP, which has a newly opened credit project in Kibera for assisting small enterprise activities, entitled the Juhudi Credit Scheme. To effectively identify the market for credit services in Kibera, Juhudi staff required a list of potential borrowers, which the census provides. In addition, to accurately monitor the effects of the Juhudi credit scheme, a control group of nonrecipients should be tracked over time and compared to those receiving Juhudi funds. The census allows scientific selection of such a control group according to multiple characteristics of the enterprises and entrepreneurs. In addition to assisting in design and monitoring of the Juhudi scheme, the complete listing of enterprises provides a sampling frame for future studies of small enterprises in Kibera.

Finally, the survey provided an opportunity to spread the news in the Kibera community that the Juhudi Credit Scheme was operational and dispersing funds. The survey team estimates that they spent over half of their time in the field in outreach activities for the Juhudi scheme. As a result, inquiries at the Juhudi offices skyrocketed, and the number of actual participants in the scheme has increased significantly since the survey was undertaken.

OVERVIEW OF KIBERA

Kibera is Nairobi's largest slum, with population estimates ranging from 250,000 (local leaders' estimates) to 700,000 people (NACHU, 1990).¹ Our own estimates following the census show a total population of under 300,000 people. Kibera is located seven kilometers southwest of Nairobi, squeezed on the north, east, and west sides by Kenyatta Hospital and housing estates, and on the south by the Nairobi Dam. There are two access points to Kibera: one is along Kibera Drive, which runs through the higher income areas, and the other is at the marketplace in Line Saba, which is serviced from town by buses and matatus.

Kibera is made up of 14 neighborhoods. Four of these neighborhoods are formal estates, namely Olympic, Karanja, Fort Jesus, and Ayany. The other 10 neighborhoods are informal settlements or slum areas.² The slum areas differ markedly from the formal estates they border. They have little infrastructure — few and poor roads and footpaths, little water, no electricity, and no sewage facilities. Kibera slopes downhill towards the Nairobi Dam, and in the rainy season, water and sewage course down the existing paths, making the area increasingly impenetrable and prone to flooding.

Kibera is densely settled in the slum areas. Moreover, density of slum areas appears to be increasing as new entrants come in, and as those displaced from the National Housing Corporation development project in Soweto relocate elsewhere within Kibera. Migration patterns into Kibera are poorly understood. Informal discussions show that many observers see Kibera as a largely transient population, with rural migrants staying in Kibera only temporarily while in search of better urban opportunities. If new opportunities arise, they move on; if no opportunities arise, they return home. Other observers see Kibera's population as relatively stable, the bulk of residents having settled there for the long term, with little hope of "moving up" out of Kibera and little intention of returning to the rural areas. In addition, there is a continuous flow of transients, some of whom eventually stay and some of whom move on. Our survey gives credence to the latter scenario, but further study is needed to understand who lives in Kibera, why they come, why they stay, and how long they remain.

A few studies have attempted to explore income of Kibera residents. Rough estimates show that 25 percent of slum area households report no regular source of income. Income levels vary markedly, with a sizable percentage of residents with no income, and a sizeable percentage with incomes of over KSh 1,000 per month. A partial survey suggests that average household monthly income is around KSh 500 per month (NACHU, 1990). Income is spent on a priority basis, with food, fuel, housing, and water receiving the bulk of income (in that order), and residual income used for clothing and education.³

¹ NACHU's figure may be an overestimate of the Kibera population due to their high estimation of number of dwellings and families per dwelling. Their calculation of family size is in line with the estimate generated by this survey.

² The 10 slum neighborhoods are Kianda, Gatwikira, Makena, Kambi Muru, Kisumu Ndogo, Lindi, Mashimoni, Line Saba, Soweto of Line Saba, and Silanga.

³ This ranking was carried out in a pilot survey of Line Saba, conducted by teams from Nairobi and Kenyatta Universities in 1988, results unpublished.

What employment opportunities exist for Kibera residents? According to a study of Line Saba, 10 percent of adult men and 23 percent of adult women are unemployed. In addition, 33 percent of men work as unskilled laborers (often in the industrial area), while 43 percent of women spend their time in housework.⁴ As shown later in this report, we can further estimate that about 11 percent of all adults work in the small enterprise sector of Kibera.

These basic characteristics provide the context for analyzing the potential of the small enterprise sector in Kibera, on both the demand and supply side. Low levels of income affect the demand for products and services of the small enterprise sector. Level of income and the lack of employment opportunities also influence the supply side of Kibera's small enterprise sector, as people search for better ways to earn a living. Transport difficulties add a constraint for Kibera entrepreneurs in obtaining inputs and marketing outputs. Finally, migration patterns may affect the commitment to business activities, and therefore the success of Kibera-based businesses.

⁴ Ibid.

CHAPTER TWO

SURVEY DESCRIPTION

COVERAGE AND METHOD OF THE SURVEY

The goal of the survey was to undertake a complete census of small enterprises in Kibera. This was accomplished by interviewing every household within Kibera, asking whether any individuals had income-generating activities in Kibera. In addition, every business premise was interviewed. Because this was a census exercise, no sampling was necessary. All 14 neighborhoods in Kibera were included in the survey: the higher-income areas of Olympic, Fort Jesus, Ayany, and Karanja; and the lower-income areas of Kianda, Gatwikira, Makena, Lindi, Kisumu Ndogo, Kambi Muru, Mashimoni, Line Saba, Soweto of Line Saba, and Silanga. Official boundaries of Kibera Division were used to define the perimeter of the total area, and maps from the 1989 population census were used to identify internal boundaries and landmarks.

A team of 19 enumerators and three supervisors went to households and businesses over a period of 22 days, covering the entire area of Kibera. Coverage was ensured by breaking the total area into enumeration areas, then having small teams proceed from door-to-door in each enumeration area. Enumerators attempted to ascertain when more than one family lived behind a single door, and then interviewed each family as a separate household. Overall, they interviewed residents regarding 7,355 active businesses and 3,149 businesses now closed.

In addition, enumerators kept track of the number of households where no one was home, the number of households without any business activities, and the number of unidentifiable, temporarily closed businesses. These counts allowed calculation of the total number of households in Kibera, the percentage of Kibera households covered by the census, and the relative number of businesses to households.

Despite all attempts to interview each household, enumerators frequently found households with no one at home. In particular, it was not feasible for enumerators to remain in Kibera after dark (7:00 pm), when many people returned home from daytime activities. Nearly 20,000 households (51 percent of the total) were not interviewed due to this problem. While this should not introduce any particular bias into the survey results, it does reduce the coverage of the census, resulting in an undercounting of enterprises.¹ Local residents verified the existence of many small businesses open only in evening hours, many run by people working outside of Kibera by day.

DESCRIPTION OF THE DATA

The enumerators used two questionnaires for the census. The first, a one-page questionnaire designed to gather basic information on each current income-earning activity, included 22 precoded

¹ Issues of bias and coverage are covered in Appendix A.

questions, and required some 10 minutes to administer. The second questionnaire collected information on each household's previous business activities, using a precoded 12-question survey.

Data on current businesses included information on type and location of the business, business age and initial size, current labor force profile, forward and backward linkages, business contribution to household income, and basic household characteristics. No financial data were collected, because of the need to streamline the questionnaire to maximize coverage and because of the sensitivity of such questions.

The second survey on past business activities recorded the type and location of the business, starting and ending dates for the business, size at opening and closing, reasons for closure, and the subsequent activities of the entrepreneur.

SOME OPERATIONAL DEFINITIONS

Small Enterprise

For the purposes of this study, a small enterprise is any small nonagricultural activity providing either goods or services for sale. If production is for both market and home consumption, at least 50 percent of the output must be marketed. Small enterprises include manufacturing, trade, construction, and service activities. In terms of size, small enterprises have 1-50 workers. In this report, small enterprises are also called "businesses" or "income-earning activities."

Workers

Workers in small enterprises include all individuals regularly engaged in that business, whether or not they are financially compensated for their time. Workers are divided into three categories: working proprietors, unpaid family workers, and those paid for their time (either family or nonfamily).

Household

Finding the appropriate definition for household is difficult in Kibera. Frequently, more than one family share a living space and may even pool resources for certain purposes (Lidoro, 1989). Similarly, many Kibera residents have family and financial commitments up-country. For the purposes of this study, household is defined as those who are both family members and live together in Kibera.

Dependents

Each entrepreneur was asked to identify the number of their dependents. In this question, dependents refers to those people who regularly receive sustenance (food or shelter) or financial assistance (remittances, school fees, and so forth) from the individual. It is not necessary for dependents to live with the individual.

CHAPTER THREE

DESCRIPTIVE PROFILE

MAGNITUDE OF THE SMALL ENTERPRISE SECTOR IN KIBERA

Overall

A total of 7,355 small enterprises were identified by the survey as currently operating in Kibera. Roughly 35 percent of households interviewed had small enterprise activities. In addition, many businesses were undoubtedly overlooked due to the large number of households (19,791) not interviewed. Given the estimate that 25 percent of these households may have small enterprise activities, the total number of small enterprises in Kibera may have been undercounted by as much as 40 percent.¹

By Neighborhood, Location, and Gender

The exact count of small enterprises by neighborhood is shown in Table 1. Of note is the tendency of enterprises to be located in the poorer areas of Kibera; 95 percent of all enterprises are located in the lower income areas. In relative terms, low income areas show a higher density of small enterprise activities: in nonslum areas, one in every five households has a small enterprise activity, while in slum areas, two in every five households has a small enterprise activity.

Enterprises were also categorized by their location. In this study, four location definitions were used. First, activities may be found inside the proprietor's residence. Second, activities may be found along roads and paths used by residents. This category includes main roads like Kibera Drive, or small footpaths between houses. Third, enterprises may be located in marketplaces or major commercial areas. These three categories have one thing in common — their fixed location. Customers know where to find those businesses on a regular basis, and come to the business. Finally, in the fourth category, mobile enterprises, the business goes to the customer by moving from place to place.

Highly localized concentrations of enterprises were found in Kibera's two main marketplaces in Makena and Line Saba (349 and 303 enterprises, respectively). A finding of note, however, is that these highly visible market areas constitute only 20 percent of the total small enterprise population. In particular, many businesses were discovered inside homes and along small footpaths running between buildings. Also of note is the low number of mobile businesses, even for those activities without permanent premises. The distribution of businesses by location is shown in Table 2.

The number of small enterprises was also broken down by gender of the proprietor. Of the total population, 3,541 businesses (49.1 percent) are owned by women, while 3,378 (46.9 percent) are owned by men. An additional 285 (4 percent) are owned by teams of both men and women.

¹ A more precise calculation of the number and percentage of households with small enterprise activities can be found in Appendix A, along with the method used in its calculation.

TABLE 1

**NUMBER OF ENTERPRISES AND HOUSEHOLDS BY NEIGHBORHOOD
AND PERCENTAGE OF HOUSEHOLDS WITH ENTERPRISES**

Neighborhood	Number of Enterprises	% of Enterprises	Number of Households	Ratio of Enter:HH*
HIGHER INCOME:	332	4.5	1576	21:100
Karanja Estate	51	0.7	327	16:100
Ayany Estate	84	1.1	439	19:100
Olympic Estate	96	1.3	237	41:100
Fort Jesus Estate	101	1.4	573	18:100
LOWER INCOME:	7023	99.5	17307	41:100
Kambi Muru	63	0.9	134	47:100
Kisumu Ndogo	221	3.0	615	36:100
Mashimoni	294	4.0	713	41:100
Silanga	453	6.2	1118	41:100
Gatwikira	684	9.3	1921	36:100
Soweto	793	10.8	1916	41:100
Kianda	840	11.4	2261	37:100
Makena	1142	15.5	2750	42:100
Lindi	1245	16.9	3092	40:100
Line Saba	1288	17.5	2787	46:100
TOTAL	7355	100.0%	18,883	39:100

* Ratio of number of enterprises to number of households interviewed.

Source: Survey data

TABLE 2

NUMBER OF ENTERPRISES BY LOCATION

Business Location	Number of Enterprises	% of Enterprises
In a residence	2847	38.7
In a marketplace	1470	20.0
Along a road or footpath	2646	36.0
Not fixed (mobile)	392	5.3
TOTAL	7355	100.0%

Source: Survey data

SECTORAL COMPOSITION OF SMALL ENTERPRISES

Kibera businesses can be divided into six main sectoral categories,² manufacturing, construction, commerce, transportation, rental property, and personal services.³ Commerce activities dominate the small enterprise sector with 5,024 businesses (68.4 percent of the entire population). The predominance of commerce can be traced to the large number of vending businesses,⁴ which constitute 61.6 percent of commerce activities. Manufacturing activities make up 22.3 percent of the small enterprise population. They are most numerous in tailoring, shoemaking, and carpentry, which constitute 32 percent, 12.4 percent and 15.1 percent of manufacturing activities, respectively. Breakdowns by sector and subsector are shown in Table 3, while breakdowns by specific activity are given in Appendix B.

LABOR FORCE COMPOSITION OF SMALL ENTERPRISES

Using a conservative calculation method,⁵ 11,754 individuals were found to work in the enterprises surveyed, with an average of 1.8 workers per enterprise. The number of workers in each enterprise refers to those who are regularly engaged in the business, either on a full- or part-time basis. Workers were broken down into three categories: working proprietors, unpaid family workers, and those that are fully paid for their contribution to the business (whether family members or not). The relative importance of these three categories are shown in Table 4, which also shows that, of the total number of workers, 44.3 percent are female and 10.8 percent are part-time workers.

Using the information on the number of part-time workers, it is possible to calculate a rough full-time worker equivalent for the total small enterprise workforce of 11,117 workers. Using an estimate

² These categories are based on the International Standardized Industrial Classification (ISIC) one-digit codes, used here in order to make these results more amenable to cross-study comparisons.

³ In discussions and tables, transportation, rental property, and personal services are all considered subsets of the broader service sector.

⁴ "Vending" or hawking refers to retail activities where products are bought and sold by entrepreneurs in extremely small quantities. Vendors do not maintain a replacement stock in the business; rather, they must purchase new stock following sales of current stock with the newly generated sales revenue. Vending activities may be carried out from either fixed or nonfixed locations.

⁵ Only those engaged in primary enterprises were counted to come up with the figure of 11,754 workers. This was done to avoid double-counting any individuals working in both primary and secondary activities. Double-counting is particularly likely for proprietors and unpaid family members. For the sake of comparison, if workers in secondary businesses are counted as well, the total number of people engaged in the sector is over 13,000.

TABLE 5
NUMBER OF ENTERPRISES BY SUBSECTOR

SECTOR/subsector	Number of Enterprises	% of Enterprises
MANUFACTURING	1648	22.3
Food and beverages	210	2.9
Textile and leather products	842	11.4
Wood and wood products	319	4.3
Printing	7	0.1
Chemicals and plastics	2	0.0
Masonry products	19	0.2
Fabricated metal products	89	1.2
Other manufacturing	160	2.2
CONSTRUCTION	11	0.1
COMMERCE	5024	68.4
Wholesale trade	56	0.8
Retail trade, incl. vending	4736	64.4
Restaurants, bars and lodging	232	3.2
SERVICES	672	9.2
Land transport	17	0.2
Rental property	291	4.0
Health, sanitation	51	0.7
Personal services	313	4.3
TOTAL	7355	100.0%

Source: Survey data

for total population of 250,000 residents, of whom 50 percent are above the age of 15,⁶ we can calculate that about 11.2 percent of Kibera adults are engaged full time in small enterprise activities.⁷

⁶ According to secondary sources, 51 percent of the Kibera population is above the age of 15. More accurate demographic statistics are expected from the Government of Kenya 1989 Population Census.

⁷ This calculation assumes that all of those engaged in small enterprises are over the age of 15. While this is not likely, given the finding that 92% of school-age children of entrepreneurs are actually enrolled in school, this assumption is not expected to bias this finding substantially.

TABLE 4
WORKFORCE COMPOSITION

Category	Number of Workers	Percent of Workers
Proprietor	7097	60.4
Unpaid Family	2105	17.9
Paid Workers	2605	22.2
TOTAL	11,754	100.0%
Female workers as percent of total:		44.3
Part-time workers as percent of total:		10.8

Source: Survey data

SIZE OF SMALL ENTERPRISES

In this study, size and growth of small enterprises are defined in terms of employment, whether full or part time, paid or unpaid. Measuring size and growth of a business in terms of employment is only one option, but is the most reliable for a study of this kind.⁸ Financial data on sales, profits, or value added could provide other yardsticks of size and growth, and would provide a useful comparison for future studies.

Current Enterprise Size

On average, small enterprises have 1.8 workers. The majority (54.8 percent) have only one worker, the bulk of whom (97.6 percent) are owner-operators. The vast majority (99.7 percent) of businesses fall into the microenterprise-size category of 1-10 workers. Only 32 businesses (or 0.4 percent) fall in the small and medium categories of 11-19 and 20-49 workers. The current size distribution of enterprises is shown in Table 5.

Enterprise Size at Start-up

On average, enterprises had 1.3 workers at start-up, about three-fourths of their current size. Current size distribution can be compared to the size distribution of enterprises at start-up, as shown in Table 5, to give a sense of the aggregate trends in enterprise size. Notice that the number of one-person

⁸ There is a long-standing debate over employment-based definitions of small scale enterprises. Despite valid criticisms, this study chose to define enterprise size in terms of employment, because of response errors inherent in financial data and recall and measurement difficulties in collecting financial data for business start-up.

TABLE 5
SIZE DISTRIBUTION OF SMALL ENTERPRISES
AT START-UP AND CURRENTLY

Size of Business (number workers)	AT START-UP		CURRENTLY	
	Number of Enterprises	% of Enterprises	Number of Enterprises	% of Enterprise
1	5619	80.1	3865	55.1
2-5	1355	19.4	2992	42.7
6-10	27	0.3	130	1.9
11-19	7	0.1	21	0.2
20-50	5	0.1	5	0.1
Total	7013	100.0	7013	100.0
	Mean size at start-up: 1.292 workers		Mean size currently: 1.834 workers	

Source: Survey data

enterprises dwindles by 31 percent, and the number of 2-10- and 11-19-person enterprises more than doubles, suggesting that the size structure is gradually moving upwards.

Enterprise Growth

It is useful to go beyond a description of aggregate trends and look at growth rates of individual enterprises, to shed light on which enterprises are growing and what factors may influence that growth. As mentioned above, growth is defined in terms of number of people engaged in the business.⁹

Enterprises That Do Not Grow

Of the 4,307 businesses for which growth rates could be calculated, 59.6 percent showed no growth in number of workers. Another 2.8 percent showed negative growth, and the remaining 37.6 percent showed an increase in the number of workers.

Certain subsectors have higher percentages of enterprises with no growth than others. Of particular note is the high percentage of transport and rental property enterprises with no growth (80 percent and 82.4 percent, respectively). Activities with the lowest number of no-growth firms are

⁹ Growth rates are calculated as the increase in the number of persons in the business, divided by the number of workers at start-up, then divided by the number of years the business has been in operation.

found in the hotel and restaurant subsector, and food and beverage products (23.4 percent and 38.64 percent, respectively).

In addition, female-owned businesses have a higher proportion of no-growth enterprises, at 69.6 percent, than male-owned businesses, of which 53.6 percent showed no growth.

Growth Rates

On average, how much do businesses grow? The average growth rate of an individual firm is 20.13 percent per year. For a one-person firm, for example, it would take five years on average to grow into a two-person firm. To understand which types of firms grow the most, growth rates are given by subsector in Table 6. The table indicates that there are substantial differences in enterprise growth rates by sector. On average, construction activities, while few in number, more than double in size annually. Among manufacturing, commerce, and service enterprises, manufacturing enterprises have the highest average growth rate at 27.44 percent, followed by enterprises in commerce at 18.70 percent. Services show the lowest average growth at 17.58 percent.

Within the broad sectoral classifications, certain subsectors appear to grow faster than others. In manufacturing, masonry products and food processing activities have the highest growth rates, while textiles have the lowest average growth (after miscellaneous products). In commerce, the "restaurants, bars, and lodging" category shows the highest growth rates, with wholesale trade a distant second. Not surprisingly, the retail sector, made up largely of vendors, shows the lowest average enterprise growth. The service sector shows the highest growth in enterprises in "personal services," which includes laundries, hairdressing, and barbering. The slowest-growth services subsector is renting rooms, which rarely grows beyond a one-person activity.

Enterprise growth rates are also related to the gender of the proprietor, with male-owned enterprises having a significantly higher growth rate than female-owned enterprises, as shown in Table 7. Growth rates also vary by location of the business, with those businesses located in market areas showing the highest growth, and mobile businesses showing the lowest growth. Of particular note is the low growth of enterprises based in residences as shown in Table 8.

ENTERPRISE LONGEVITY

In the search for dynamic activities within the small enterprise sector, it is important to look also at the stability, or longevity, of small enterprises. Indeed, while growth is one sign of health or success of a business, longevity is another sign that the business is performing well. Alternatively stated, a poorly performing business, unless subsidized for nonbusiness purposes, is not likely to live long; therefore a search for long-living businesses may point to high-potential areas for small enterprises.

Longevity data on ongoing enterprises provide three methodological difficulties. First, it is impossible to measure how long these businesses will last, since all businesses are still open. Current age is, therefore, a proxy for age at closure. Second, more recent entrants, regardless of actual longevity, are treated as less long-living than those businesses that came on the scene earlier. In Kenya, training in informal sector manufacturing skills has increased in recent years, so manufacturing enterprises may be more recent entrants than commerce or services. However, this should not then suggest that

TABLE 6
AVERAGE ENTERPRISE GROWTH RATES PER ANNUM
BY SUBSECTOR

SECTOR/subsector	Number of Enterprises	Avg Growth Rate p.a.
MANUFACTURING	1109	24.8
Food and beverages	132	37.3
Textile and leather products	566	21.5
Wood and wood products	230	26.3
Masonry products	9	50.0
Fabricated metal products	64	32.9
Other manufacturing	108	15.1
CONSTRUCTION	8	154.7
COMMERCE	2640	18.7
Wholesale trade	41	21.5
Retail trade, incl. vending	2458	17.1
Restaurants, bars and lodging	141	46.6
SERVICES	474	17.6
Land transport	15	12.2
Rental property	210	3.9
Health services	43	19.1
Personal services	206	25.6
TOTAL	4353^a	20.1%

Source: Survey data

^a The large number of missing observations is due to the number of businesses that did not provide all three of the following pieces of information: size of business at start-up, size of business currently, or age of business. In addition, enterprises started in 1990 were excluded in growth rate calculations.

manufacturing enterprises will be shorter-lived than commerce or service enterprises. Third, by taking a one-time survey of ongoing businesses, it is impossible to incorporate the longevity of businesses that both appeared and disappeared prior to the survey date. In effect, the survey captures "success stories" — those businesses still alive. As such, it can be expected that the longevity figures of these successful businesses may be higher than that of the entire small enterprise population, and therefore cannot adequately predict the longevity of businesses in general.

As a way around these difficulties, the survey on previous business activities captures both starting and ending points of enterprises. Using this method also generates some methodological difficulties, particularly in that it may capture "losers" rather than "winners," thereby underestimating

TABLE 7

AVERAGE ENTERPRISE GROWTH RATES PER ANNUM
BY GENDER OF PROPRIETOR

Gender Classification	n	Avg Growth Rate p.a.
Female proprietor	1815	15.17
Male proprietor	2228	23.76
Mixed-gender proprietors	186	17.65
OVERALL	4229	20.04

Source: Survey data

[F-statistic = 13.2106, d.f.=2, significance=.000. Therefore, the null hypothesis that the mean growth rate is the same for enterprises owned by men and women is rejected.]

TABLE 8

AVERAGE ENTERPRISE GROWTH RATES PER ANNUM
BY LOCATION OF ENTERPRISE

Location Classification	n	Avg Growth Rate p.a.
In a residence	1675	15.22
In a marketplace	918	29.85
Along a road or footpath	1389	21.84
Not fixed (mobile)	254	8.01
OVERALL	4236	20.13

Source: Survey data

[F-statistic = 22.58, d.f.=3, significance=.000. Therefore, the null hypothesis that the mean growth rate is the same for enterprises in all locations is rejected.]

longevity. However, for the purposes of making comparisons between types of businesses, it provides a more accurate picture of business longevity.

On average, closed businesses lasted for 2.9 years (slightly lower than the 3.6 years reported by ongoing businesses), and ranged from less than one year to 58 years. Female-run enterprises showed shorter life spans than male-run enterprises, while enterprises run by a combined male-female team had the greatest longevity (as shown in Table 9). In addition, enterprises based outside of Kibera had greater longevity (an average of 3.3 years) than those based within Kibera (an average of 2.7 years). Of those within Kibera, market-based enterprises were longer living than their roadside or home-based counterparts. Longevity figures by location are given in Table 10.

TABLE 9
AGE DISTRIBUTION OF CLOSED ENTERPRISES
BY GENDER (IN PERCENTS)

Age at Closure	Male Proprietor	Female Proprietor	Mixed Male and Female	Total Population
<1	13.5	24.7	18.3	20.1
1	22.1	28.0	15.4	25.3
2	10.8	16.5	11.5	18.0
3	11.8	10.0	13.5	10.8
4	9.5	5.5	11.5	7.3
5	5.7	3.9	4.8	4.6
6	3.7	2.0	2.9	2.7
7	2.8	2.0	3.8	2.4
8	1.7	1.2	3.8	1.5
9	1.8	0.9	3.8	1.3
10	1.6	1.6	1.9	1.6
>10	4.9	3.7	8.7	4.4
TOTAL	100.0	100.0	100.0	100.0
Average Age at Closure:	3.41	2.53	4.14	2.93

Source: Survey data

Longevity also varies by sector, as shown in Table 11. Manufacturing enterprises were longest lived, followed by services, and then by commerce and construction. Once these sectors are broken down by activity, some activities emerge that clearly lived longer than others. In manufacturing, wood-based products (furniture and sisal), masonry products (block-making and pottery), and metal products showed the greatest longevity. In commerce, retail enterprises selling liquor and water survived longer than counterparts selling food, fruits, or fuel. Restaurants and bars also showed life spans above the average. In services, those transporting goods or people were longer lived than their counterparts in personal services.

TABLE 10
AVERAGE LIFE SPAN OF CLOSED ENTERPRISES
BY LOCATION (IN PERCENTS)

Location Classification	n	Average Age at Close
INSIDE KIBERA:	1702	2.7
In a residence	582	2.6
In a marketplace	490	3.0
Along a road or footpath	518	2.4
Not fixed (mobile)	112	2.8
OUTSIDE OF KIBERA:	1302	3.3
OVERALL		2.9

Source: Survey data

Are there areas of overlap between high-growth enterprise groups and long-living groups? Certain populations do appear to have both characteristics. In particular, male-owned enterprises, market-based enterprises, and manufacturing activities in masonry products and metalworking all show high growth and above-average longevity. In other areas, an interesting divergence emerges. Mobile enterprises, while some of the slowest growing, are among the longest living enterprises. Services, the slowest-growing activities, are longer lived than their commerce or construction counterparts. These findings suggest that while mobile or service businesses may not have high potential for employment expansion, they may be a rational choice for entrepreneurs interested in sustained income over a longer period of time. In addition, the results suggest that growth (measured in any terms) may not be the only measure for assessing the viability of specific small enterprise activities.

How likely is an enterprise to live to a certain age? The data show that 20 percent of all businesses do not live to their first birthday, and another 25 percent and 20 percent close within their second and third years, respectively. The age distribution of enterprise closure is given in Table 9. This is the first data from Africa which confirm worldwide findings that roughly two-thirds of all enterprises close in their first three years (Liedholm and Parker, 1989).

MARKET LINKAGES WITHIN THE SMALL ENTERPRISE SECTOR

For practitioners interested in strengthening and expanding the small enterprise sector, it is useful to see the way assisting one kind of enterprise may have positive effects on other enterprises. As an enterprise grows, for example, it may provide business to other enterprises, either through buying their inputs or providing them with needed goods or services. Two questions were added to the questionnaire in an attempt to identify those activities in which these spread effects may be greatest: "What is your major source of inputs?" and "Who is the major buyer of your product or services?"

TABLE 11
 AVERAGE LIFESPAN OF CLOSED ENTERPRISES
 BY SECTOR (IN PERCENTS)

SECTOR/subsector	Number of Enterprises	Average Age at Close
MANUFACTURING	320	3.9
Food and beverages	91	3.5
Textile and leather products	122	2.9
Wood and wood products	47	5.5
Printing	5	2.4
Chemicals and plastics	3	2.3
Masonry products	10	6.3
Fabricated metal products	13	4.3
Other manufacturing	29	5.7
CONSTRUCTION	3	2.7
COMMERCE	2599	2.8
Wholesale trade	34	2.7
Retail trade, incl. vending	2394	2.8
Restaurants, bars and lodging	171	3.3
SERVICES	89	3.0
Land transport	21	4.1
Rental property	3	9.0
Personal services	65	2.4
TOTAL	3011	2.9%

Source: Survey data

These spread effects can be thought of as forward and backward linkages. The concept of linkages should not be confused with the neoclassical definition of "production linkages," in which a backward linkage is that enterprise that produces inputs and a forward linkage an enterprise that uses the product as an input into further production. In our context, linkages have a broader meaning, which can be of a marketing as well as a productive nature. Forward linkages may be to transporters, on-sellers, or processors of goods, when all of these activities are seen as critical steps in moving the goods from producers to the final consumers, and therefore as activities that add value to the good in question. Backward linkages may also be of either a marketing or productive nature, when the linkage may be to producers of inputs, wholesalers, or transporters of goods.

Sources of Inputs

What are the backward linkages from Kibera enterprises to input suppliers? Ninety-two percent of all enterprises use purchased inputs in their businesses. In manufacturing, these inputs are raw materials. In commerce, inputs are usually finished products ready for sale to consumers. Of those that purchase inputs, 71.6 percent buy their inputs from businesses outside of Kibera, while 28.4 percent buy their inputs from other Kibera businesses. Commerce and manufacturing enterprises, both heavily dependent on purchased inputs, are most likely to buy their inputs outside of Kibera (72.9 percent and 71.1 percent of enterprises, respectively). Within manufacturing, wood-based and masonry products have the highest linkages to other Kibera businesses, while in commerce, hotels and restaurants have strong backward linkages in Kibera. Rental property enterprises appear to purchase a large share of their inputs from Kibera businesses; however, only a small percentage of these enterprises (19.2 percent) use any purchased inputs at all. A subsectoral breakdown on where enterprises purchase inputs is given in Table 12.

TABLE 12
SOURCE OF PURCHASED INPUTS BY SECTOR

SECTOR/Subsector	Total # Buying Inputs	% Buying in Kibera	% Buying Outside Kibera
MANUFACTURING	1516	28.9	71.1
Food, beverage products	180	20.0	80.0
Textiles, leather products	782	26.6	73.4
Wood-based products	312	44.9	55.1
Masonry products	17	47.1	52.9
Fabricated metal products	83	15.7	84.3
Other manufacturing	133	24.1	75.9
CONSTRUCTION	10	40.0	60.0
COMMERCE	4775	27.1	72.9
Wholesale	54	7.4	92.6
Retail/vending	4502	26.3	73.7
Hotels, restaurants	219	49.3	50.7
SERVICES	330	45.2	54.8
Land transport	3	33.3	66.7
Rental property	52	76.9	23.1
Personal services	275	39.3	60.7
OVERALL	6631	28.4	71.6

Source: Survey data

What of the 529 of enterprises that do not use purchased inputs? Sixty-two enterprises (12 percent) reported that they produce their own inputs. These enterprises are grouped in the activities of restaurants, food processing, and vending of food. An additional 467 enterprises (88 percent) stated that they do not use inputs, and are grouped in transport, rental property, personal services, repair work, and tailoring and milling (two activities where customers bring the major inputs with them for processing).

Markets for Products or Services

What forward linkages do Kibera enterprises have to other businesses, either within or outside of Kibera? Most enterprises (92.3 percent) have no forward linkages, rather they sell their goods or services directly to individuals in Kibera. Of those remaining, 5.3 percent sell to other Kibera businesses, while 1.8 percent sell to businesses outside Kibera. Activities showing the greatest forward linkages within Kibera include, not surprisingly, wholesalers, followed by butcheries, construction enterprises, and tinsmiths. Activities showing the greatest forward linkages to businesses outside of Kibera include shoe-making and furniture-making. In shoe-making, for example, many cobblers work on subcontract to Tiger Shoes Company Ltd.

CHAPTER FOUR

FURTHER INSIGHTS

The previous chapter provided an overview of the static and dynamic characteristics of Kibera's small enterprise sector. This chapter provides more detailed description of the households supported by small enterprises and some insights on gender-based differences in entrepreneurs, followed by a look at sectoral and dynamic issues with respect to the enterprises themselves.

INSIGHTS ON HOUSEHOLDS

Size of the Household

Kibera's entrepreneurs support 28,471 dependents, or an average of 4.8 persons per household. Of these dependents, 35.4 percent are of primary school age (6–14 years of age), 91.6 percent of whom are enrolled in school.

Economics of the Household

Nearly half (49.2 percent) of the enterprises are the sole source of income for the household. Manufacturing, construction, and personal service activities tend to be dominant contributors to household income. The majority of enterprises in these sectors are sole-income sources for families (60 percent, 78 percent, and 52 percent, respectively), while they provide more than half of household income in 72.2 percent, 100 percent, and 72.4 percent of the households, respectively. Commerce activities vary most widely in what they provide to household income, with 56.6 percent providing the majority of household income (45 percent providing 100 percent of income), and 35 percent providing less than half of household income. In terms of gender, male-owned enterprises are more likely to be a sole-income source than female-owned businesses (60.5 percent for men as opposed to 39.6 percent for women). In terms of location, enterprises outside the home are more likely to be sole-income sources, while those based in the home are more likely to be minor contributors to household income.

Of households with business activities, 38 percent cite income from salaried employment coming into the household, while the remaining 62 percent have no employment income from any source.

Households with Multiple Enterprises

As another method of bringing in additional income, 10.4 percent of households have more than one enterprise, half of which are undertaken by men and half by women. These secondary activities tend to be trade or service activities rather than manufacturing activities. Households with more than one business tend to have a higher number of dependents (an average of 5.6 as opposed to 4.8) and more children of school age (an average of 2.1 as opposed to 1.7).

INSIGHTS ON ENTREPRENEURS — GENDER ISSUES

Some of the most interesting results from the survey data are the differences between male- and female-owned businesses. Male-owned enterprises tend to be larger than female-owned businesses. Moreover, male-owned businesses start larger than female-owned businesses and, as discussed in Chapter Three above, have higher average growth rates and greater longevity. Comparative figures are given in Table 13 along with the F-statistics used to test whether the differences in means are statistically significantly.

TABLE 13
AVERAGE SIZE, GROWTH RATES, AND LONGEVITY OF ENTERPRISE
BY GENDER OF PROPRIETOR

	Female Proprietor	Male Proprietor	F-stat/ Signif
Average size at Start-up	1.15 workers	1.40 workers	60.68 (.000)
Average size currently	1.54 workers	2.12 workers	159.16 (.000)
Average growth per annum	15.17%	23.75%	25.95 (.000)
Average age at closure	2.5 years	3.4 years	34.88 (.000)

Source: Survey data

Other gender-correlated distinctions appear when looking at type and location of business. By sector, men tend to dominate in manufacturing, construction, transport, and personal services, while women dominate commercial activities. Percentages of men and women proprietors by sector are given in Table 14. In terms of location, female-owned enterprises are more prevalent in home-based enterprises, while men dominate enterprises outside the home, as shown in Table 15.

These findings begin to shed light on gender-related choices in terms of what kind of enterprise to undertake, where to locate the enterprise, and how to manage the enterprise's size and growth. They also suggest some interesting avenues of further inquiry into the reasons for and consequences of these decisions.

INSIGHTS ON ENTERPRISES -- SECTORAL CHARACTERISTICS

In Chapter Three, the number and growth rates of enterprises were presented by sector. This section sheds light on other aspects of the different sectors, focusing on the size and labor structure of enterprises in various activities.

TABLE 14
 PERCENTAGE OF MALE AND FEMALE PROPRIETORS BY SUBSECTOR

Sector	n	% run by Females	% run by Males
Manufacturing	1585	28.8	71.2
Construction	11	0.0	100.0
Commerce	4696	60.1	39.9
Transport	16	6.2	93.8
Rental property	258	49.2	50.8
Personal Services	353	38.0	62.0
OVERALL	6919	51.7	48.8

Source: Survey data

Enterprise Size

Disaggregating enterprise size by sector can shed light on the typical scale of enterprises in various sectors, both at start-up and currently, as shown in Tables 16 and 17. The initial size distribution is remarkably similar across sectors, with over three quarters of enterprises in the one-worker category, and 99 percent of the enterprises with under six workers.

TABLE 15
 PERCENTAGE OF MALE AND FEMALE PROPRIETORS BY LOCATION

Location	n	% run by Females	% run by Males
In a residence	2655	58.3	41.7
In a marketplace	1383	46.4	53.6
Along a road/path	2501	48.3	51.7
Not fixed (mobile)	239	37.1	62.9
OVERALL	6919	51.2	48.8

Source: Survey data

TABLE 16
 SIZE DISTRIBUTION OF ENTERPRISES BY SECTOR AT START-UP

Number of Workers	% of Firms Manufacturing	% of Firms Commerce	% of Firms Services	% of Firms Construction
1	79.4	80.3	79.8	88.9
2-5	19.8	19.2	19.5	11.1
6-10	0.6	0.2	0.5	0.0
11-20	0.2	0.1	0.2	0.0
21-50	0.1	0.1	0.0	0.0
TOTAL	100.1*	99.9*	100.0	100.0
Mean Size	1.37	1.27	1.30	1.11
n	1564	4805	635	9

* Total does not equal 100.0% due to rounding errors.
 Source: Survey data

TABLE 17
 CURRENT SIZE DISTRIBUTION OF ENTERPRISES BY SECTOR

Number of Workers	% of Firms Manufacturing	% of Firms Commerce	% of Firms Services	% of Firms Construction
1	50.3	56.3	58.6	33.3
2-5	45.1	42.3	39.1	44.4
6-10	3.9	1.1	1.9	0.0
11-20	0.6	0.3	0.5	11.1
21-50	0.2	0.0	0.0	11.1
TOTAL	100.1*	100.0	100.1*	99.9*
Mean size	2.19	1.73	1.81	6.50
n	1564	4805	635	9

* Total does not equal 100.0% due to rounding errors.
 Source: Survey data

If one looks at the current size distribution of enterprises, it is clear that all four sectors showed an upward movement in size. On closer inspection, however, manufacturing and construction enterprises have grouped themselves in slightly higher size categories. These simple results suggest that future research into scale economies may be useful for identifying firm size decisions.

Labor Force Profile

It is useful to look more closely at the labor force that makes up the total worker population. Table 18 presents the average number of workers in each category by sector. As expected, there is no apparent difference between the number of proprietors working in enterprises in the four sectors, as most enterprises are sole-proprietorships. However, there is substantial variation in the relative importance of family and hired labor by sector. Construction activities are the only sector entirely dependent upon hired labor, while manufacturing and services tend to rely more on hired labor than on unpaid family workers. Of the four sectors, only commerce is more dependent on family labor than on hired labor. These differences may be due to the relative profitability of activities in the different sectors, differing levels of skill required, or some other yet unexplored factors.

INSIGHTS ON ENTERPRISE DYNAMICS

This section explores the findings on enterprise dynamics captured by the survey of now-closed businesses. As issues of dynamics make their way onto the small enterprise agenda, discussion revolves around whether a business closure is a positive sign of evolution (perhaps preceding a business opening), or whether business closures signify business failures. In trying to shed light on these issues, the survey looked at reasons for business closure and what happens to entrepreneurs after closure.

Characteristics of the Population Interviewed

Those interviewed about previous businesses are individuals now living in Kibera who undertook some business activity at some time in the past, regardless of location. Clearly, the survey did not attempt to enumerate the actual population of businesses that existed in Kibera in the past, since migration into and out of Kibera over time has continually changed the entrepreneur population in Kibera at any one point. However, there is no reason to believe that the sample drawn should have any particular bias in results.

Information was collected on 3,149 now-closed activities. Over half (56 percent) of the businesses were undertaken outside of Kibera, while the remaining 44 percent were carried out within Kibera. Of those interviewed, 41 percent are currently involved in another enterprise, while another 56 percent report that they are no longer in business. Women accounted for 57.5 percent of the entrepreneurs, and men 39 percent, while joint teams of male and female entrepreneurs accounted for the remaining 3.4 percent of the sample population. The predominance of women in the sample may support the hypothesis that women undertake more enterprises over the course of their economic lives than do men.

TABLE 18
LABOR FORCE PROFILE BY SECTOR
(IN AVERAGE NUMBER OF WORKERS PER ENTERPRISE)

Sector	Working Owners	Unpaid Family	Paid Workers	Total Workers
Manufacturing	1.13	.27	.79	2.19
Construction	1.30	.00	5.20	6.50
Commerce	1.09	.39	.25	1.73
Services	1.11	.21	.49	1.81
OVERALL	1.10	.34	.40	1.84
F-statistic Significance	1.61 (.184)	18.87 (.000)	79.23 (.000)	44.27 (.000)

Source: Survey data

Size and Growth of Past Enterprises

As found in the survey of existing businesses, size of enterprise at start-up was greatest for manufacturing enterprises, followed by service enterprises, then commerce and construction. Mean start-up size was roughly the same as for existing enterprises, with the average size of firm at start-up of 1.44 persons.

A surprising result of the survey is that few businesses closed with any more workers than they started with, with the total population showing an average growth rate in number of workers of 0.8 percent per year. This may be due to down-sizing of businesses before they actually closed, which would mask any growth in workers during the enterprise's life. It may also reflect a correlation between low growth and poor overall performance. A more interesting approach for future studies may be to compare the number of workers at start-up to the maximum number of workers working in the enterprise at one time. In addition, alternative methods of measuring growth (such as in sales or output) may shed more light on firm growth patterns than does number of workers.

Reasons for Closure

When asked, "Why did you close your business?" 40 percent of proprietors responded that business itself was bad because of characteristics of the business or of the market. Another 12.5 percent closed enterprises that were not having difficulties for positive reasons. Of these, a few sold their business for a good price, but the majority closed the business to pursue a better option, usually to start a new business. Another 32 percent closed their businesses for personal reasons, either to migrate to another area, to retire, or to meet other obligations. Finally, a surprisingly high 26 percent of businesses closed due to negative outside influences, either harassment, vandalism, or natural calamity (fire or flood).

Reasons for enterprise closure varied by location, sector, and proprietor gender. Those enterprises based outside of Kibera were usually closed when the proprietor migrated. Surprisingly, not a single business from outside Kibera closed because the proprietor had better options, suggesting that lack of local options may have triggered a migration to a higher-potential area; in this case, Kibera.

Commerce and transport businesses were most likely to close due to bad business, while personal services and construction activities were more likely to close so that the entrepreneur could pursue better options. Manufacturing and service activities also appear to have been more vulnerable to negative outside influences than were commerce or construction activities.

In terms of gender, men cited problems with the business or better opportunities more frequently than did women. Women, on the other hand, were far more likely to cite personal reasons in the decision to close the business. Enterprises run by both men and women were least likely to cite problems with the business, which fits with the result that mixed-gender proprietors have the longest-living enterprises.

Current Activities of Proprietors

Overall, 41 percent of entrepreneurs went back into business, 18 percent went into paid employment, and a colossal 40 percent went on to do "nothing."

The majority of entrepreneurs that closed viable enterprises started new businesses, while the bulk of the remainder entered salaried employment, suggesting that their business activities may have been temporary while they searched for a more lucrative activity. Those that closed nonviable enterprises were less likely to go into employment, and more likely to try their hands at a new business or find themselves idle. Finally, of those who closed business for personal reasons, the majority currently "do nothing."

In terms of type of activity, those involved in manufacturing and services were more likely to try another business than those in commerce, while those in commerce were more likely to end up "doing nothing." Again, gender differences are marked. Men tended to go into another business or take salaried employment, while women were much more likely to "do nothing" or pursue "other" nonbusiness activities.

While the survey on business dynamics is helpful in exploring what became of businesses and entrepreneurs, it has not addressed the flip side of business dynamics, namely, why people enter the small enterprise sector and how they choose which activity to undertake. Exploration of these questions may prove profitable for future studies of dynamics of the small enterprise sector.

CHAPTER FIVE

CONCLUSIONS

This section briefly reviews the findings set out from both the survey of ongoing business and the survey on past business activities. It then looks into some of the unanswered questions the survey uncovered.

USEFUL FINDINGS

What are the characteristics of the small enterprise sector of Kibera? The first feature of note is the sheer number of activities being undertaken in Kibera, where 35 percent of households interviewed have ongoing enterprises, and 11 percent of adults are employed in the sector. Small enterprises are concentrated in commerce activities, particularly in vending of the basic consumables purchased by so many Kibera residents, such as food, fuel, and water. Ninety-nine percent of Kibera's businesses are microenterprises with less than 11 workers. While over half of the enterprises have not grown in size since they were opened, the overall average growth of enterprises has been 20 percent per year, reflecting sizable dynamism in the sector overall. Few enterprises are linked to other Kibera businesses, either for inputs or for marketing purposes; however, some interesting linkages emerge with non-Kibera businesses that need further exploration.

What happens to enterprises and the entrepreneurs that run them over time? The average enterprise lives for approximately 2.9 years. Reasons for closing an enterprise are not based strictly on the viability of the business, but also reflect other opportunities facing the entrepreneur, one's personal situation, and outside influences. Once a business is closed, over half of entrepreneurs do not start a new business, entering employment instead or "doing nothing."

A clear finding of the survey is that female- and male-run enterprises have markedly different characteristics. In terms of starting size, growth, and longevity, female-run enterprises start smaller, grow less, and live shorter than their male-run counterparts. Sectorally, women are more likely to undertake commerce activities while men tend more toward manufacturing and services. Finally, women are more likely to close their enterprises for personal reasons than are their male counterparts.

UNANSWERED QUESTIONS

One of the dangers of generating new findings is that they are too quickly translated into project or policy recommendations, without sufficient information on the forces behind such findings. In attempting to make sense of the findings presented here, three areas of inquiry emerged that require deeper study. These are briefly laid out below. It is hoped that further study will provide not only a better sense of the causes of these findings, but, on the practical side, also explore different types of policy and program design to find improved ways to assist the small enterprise sector.

Sectoral Behavior

The survey highlighted differences in both static and dynamic characteristics of enterprises according to type of activity. What accounts for these differences by sector? And which of these sectoral characteristics may account for differing performance records across sectors? One of the best ways to shed light on these questions is to undertake studies of particular activities, exploring both demand and supply side factors that influence decision making and performance. Such studies can generate understanding of the market in which the activity operates, as well as the specific characteristics of particular enterprises and entrepreneurs engaged in that activity.

Gender Behavior

What are the reasons behind the clear and recurring dichotomies in the characteristics and performance of male- and female-run enterprises? Do women start businesses for different reasons than men, as they appear to when closing businesses? What impact might these differences have on business performance and long-run well-being of the entrepreneur? Exploring these questions requires a multidisciplinary investigation, looking at the interaction of noneconomic and economic factors in decision making.

Identifying Areas of Small Enterprise Dynamism

From the standpoint of a small enterprise development practitioner, what do these results imply? First, they suggest that there are opportunities for growth in the small enterprise sector. Second, they suggest that growth is not ubiquitous, but rather that certain kinds of enterprises may have greater ability to succeed in the sector. Third, they suggest that growth per se is an inadequate measure of sectoral success, and needs to be complemented with longevity to assure some stability in the sector. Finally, the motivations and characteristics of the entrepreneurs strongly influence what happens to the enterprise. Further study to identify points of influence on the enterprise can be helpful to practitioners working to facilitate businesses, and to shed more light on the long-term impact of small enterprise development activities on the population being assisted at any one point in time.

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APPENDIX A

**METHOD OF ESTIMATING MAGNITUDE OF
THE ENTERPRISE POPULATION AND THE
NUMBER OF HOUSEHOLDS WITH SMALL ENTERPRISES**

One of the purposes of the baseline survey was to estimate the size and importance of the small enterprise sector in Kibera by interviewing every household and business about their ongoing business activities. Interviews were conducted in only 18,883 households or businesses. Another 19,791 households were recorded as not interviewed, because no one was home to respond to questions. Therefore, a total count of 38,674 households was made, of which 48.8 percent were interviewed.

In the 18,883 households interviewed, 6,535 had businesses, which generated the figure that 34.6 percent of households have ongoing businesses. The difference between the 6,535 households and the 7,355 total businesses is attributable to the fact that 12.5 percent of households interviewed had more than one separate business activity.

A separate method was used to estimate the number of businesses in the households not interviewed. A single area was chosen, and the enumerators proceeded door-to-door as usual. In addition to interviewing households with someone at home, however, they recorded the location of those households where no one was at home. At the end of the day, they began to revisit the households listed as closed, noting those that remained closed. In the revisited households where they obtained information, records were kept on how many had no business activity, and those with businesses were interviewed. The results were as follows: During the course of the day, 96 households were counted as closed. On revisits, 60 households (63 percent) remained closed. Of the other 36 businesses, 9 (25 percent) had ongoing businesses while the remaining 27 (75 percent) had no businesses.

The nine businesses discovered were further analyzed to ascertain whether they had different characteristics from the rest of the population. Results showed generally similar breakdowns by sector, gender, and location, therefore suggesting that the reduced coverage should not create any general bias in results.

In estimating the possible number of enterprises not covered in the sample, the estimate that 25 percent of closed households had business was multiplied by the number of closed households (19,791), to arrive at a figure of 4,948 enterprises. This figure can be interpreted as the possible number of enterprises missed in the business census.

APPENDIX B
NUMBER AND PERCENTAGE OF ENTERPRISES
BY ACTIVITY

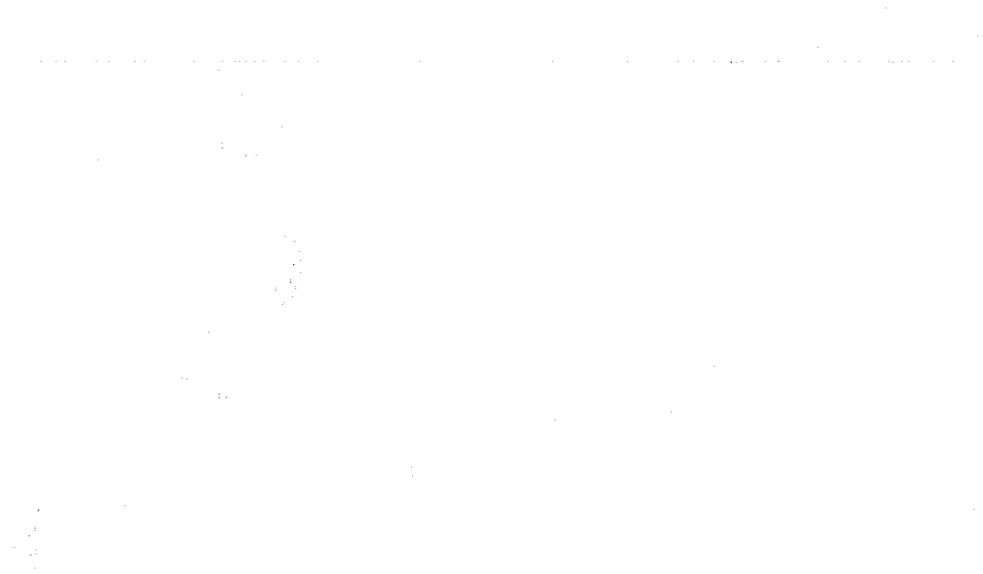
NUMBER AND PERCENTAGE OF ENTERPRISES
BY ACTIVITY

ISIC CODES	SECTOR/ Subsector/Activity	Number of Enterprises	% of Population
3:	MANUFACTURING (overall)	1648	22.3
31	Food and beverage products	210	2.9
	Mill	15	0.2
	Butchery	136	1.8
	Dairy products	1	0.0
	Bread/biscuits/cakes	17	0.2
	Other foods	9	0.1
	Millet drying	1	0.0
	Beer brewing	29	0.4
	Other beverage making	2	0.1
32	Textiles and leather products	842	11.4
	Tailoring/dressmaking	526	7.2
	Knitting	62	0.8
	Other textiles	29	0.4
	Shoemaking	204	2.8
	Other leather products	21	0.3
33	Wood-based products	319	4.3
	Furniture making	249	3.4
	Wood carving	4	0.1
	Sisal/cane/bamboo products	58	0.8
	Charcoalmaking/wood cutting	4	0.1
	Other woodworking	4	0.1
34	Printing	7	0.1
35	Plastic work	2	0.0
36	Masonry products	19	0.2
	Block making	3	0.0
	Pottery	6	0.1
	Stone breaking	2	0.0
	Other masonry products	8	0.1
38	Fabricated metal products	89	1.2
	Welding	35	0.5
	Tinwork	25	0.3
	Ironwork	6	0.1
	Keycutting	10	0.1
	Other metalwork	13	0.2
	Continued, next page		

ISIC CODES	SECTOR/ Subsector/Activity	Number of Enterprises	% of Population
39	Repair work/Other manufact.	160	2.2
	Motor vehicle repair	18	0.2
	Bicycle repair	6	0.1
	Electrical repair	15	0.2
	Clock/watch repair	29	0.4
	Radio/TV repair	43	0.6
	Other repairs	23	0.3
	All other manufacturing	26	0.4
5:	CONSTRUCTION	11	0.1
6:	COMMERCE (overall)	5024	68.4
61	Wholesale trade	56	0.8
62	Retail trade	1627	22.2
	Retail foods (grocery)	115	1.6
	Water kiosk	230	3.1
	Retail liquor	20	0.3
	Retail fruits/vegetables	116	1.6
	Retail hardware	17	0.2
	Retail charcoal	89	1.2
	Retail furniture	3	0.0
	Retail garments/material	184	2.5
	Retail shoes	51	0.7
	Retail waste products	17	0.2
	Filling station	6	0.1
	General dealer	693	9.4
	Retail poles (construction)	13	0.2
	Retail other	73	1.0
62	Vending trade	3109	42.2
	Vending foods/fish	745	10.1
	Vending drinks	13	0.2
	Vending fruits/vegetables	1221	16.6
	Vending hardware	14	0.2
	Vending charcoal	203	2.8
	Vending paraffin	233	3.2
	Vending firewood	14	0.2
	Vending garments/material	185	2.5
	Vending mixed goods	323	4.4
	Vending publications	13	0.2
	Vending other	145	2.0
63	Restaurants, bars, lodging	232	3.2
	Restaurant, "hotel"	166	2.3
	Bar	66	0.9
	Continued, next page		

ISIC CODES	SECTOR/ Subsector/Activity	Number of Enterprises	% of Population
7:	TRANSPORT	17	0.2
	Goods transport	15	0.2
	People transport	2	0.0
8:	REAL ESTATE		
	Renting rooms	291	4.0
9:	PERSONAL SERVICES (overall)	364	5.0
93	Health services	51	0.7
	Clinics	13	0.2
	Herbalists	38	0.5
95	Personal/household services	313	4.3
	Knife sharpening	12	0.2
	Laundry	62	0.8
	Dry cleaning	10	0.1
	Hairdresser/barber	156	2.1
	Picture-taking studio	28	0.4
	Nurseries/creches	9	0.1
	Other services	36	0.5
	OVERALL	7355	100.0%

Source: Survey data



APPENDIX C

A PROFILE OF AGRICULTURAL ACTIVITIES IN KIBERA

Kibera residents cited 23 agricultural businesses within Kibera. No information was recorded on the type of activity undertaken, but enumerators reported that most of these activities were chicken and goat rearing. Men account for 61.9 percent of the sample, which is markedly higher than the 46.9 percent of men represented in nonagricultural activities.

In general, agricultural activities do not contribute much to the household's income. Sixty-three percent of respondents reported that their activity brought in half or less of household income, while only 26 percent said that they relied entirely on their agricultural activity for income. In addition, those in agricultural activities are more likely to have employment income coming into the household than those in nonagricultural activities (52.4 percent as opposed to 38 percent). Both of these results suggest that agricultural activities may be used more as secondary income-earning activities than as primary activities. This finding would make sense particularly in a congested urban setting like Kibera, where land and food for livestock are scarce.

The majority of agricultural output is sold to individuals (57.1 percent), with another 33.3 percent sold to other Kibera businesses, most likely butcheries and hotels. No output is sold outside of Kibera. Inputs, on the other hand, come from outside Kibera in 54.5 percent of the cases, and from within Kibera in 41 percent of the cases.

As in nonagricultural activities, the bulk of agricultural enterprises (76.2 percent) started with only one worker. Also, like nonagricultural activities, the size of the enterprise has generally grown since start-up, with only 38.1 percent currently one-person activities. Overall, the average number of workers at start-up was 1.33 persons, compared to the average number of workers currently of 2.1 persons. Overall, the range of enterprise size is much smaller for agricultural activities than for nonagricultural activities, with a maximum of four workers in an enterprise. Workers are generally unpaid, with proprietors accounting for 54 percent of total labor and family labor contributing 38 percent. Only one person is salaried.

Only one of the activities is located in the higher-income estate of Olympic. The greatest concentration of agricultural activities is in Line Saba (35 percent) and Lindi (26.1 percent).

In terms of family characteristics, those with agricultural activities tend to have more dependents than those with nonagricultural activities (5.8 dependents per household as opposed to 4.8, a 21 percent difference). Nearly 50 percent of the dependents are of primary school age, 92 percent of whom are enrolled in school.

APPENDIX D
A PROFILE OF ENTERPRISES OUTSIDE OF KIBERA

As enumerators went door-to-door in Kibera asking about small enterprise activities, they discovered many Kibera households with businesses based outside of Kibera. While these enterprises cannot be considered part of the Kibera enterprise population, they represent activities of Kibera entrepreneurs, and identify resource flows (financial and human) into and out of Kibera.

The same questionnaire was given to these entrepreneurs, which provided a sample of 739 individuals who live inside Kibera and conduct their business outside. It is important to emphasize that this method does not approximate the population of Kibera entrepreneurs with businesses outside of Kibera, nor is it a random sample of that population. However, the data can reveal tentative patterns which can be contrasted with the findings from the more scientific survey of Kibera-based enterprises.

SECTORAL COMPOSITION

The sectoral breakdown of enterprises is similar to that found within Kibera. Commerce and trade activities constitute the majority of enterprises, followed by manufacturing, services, and then construction. It is important to note, however, that there are higher frequencies of enterprises in manufacturing and services, and a lower frequency in commerce. To shed light on these subtle changes, it is useful to examine the numbers in specific subsectors.

The increase in frequency of manufacturing is most notable in printing, masonry, fabricated metal products, and miscellaneous products. The greatest decline in numbers occurs in textiles. In the commerce sector, the largest change is the increase in the number of wholesale enterprises, relative to the number of retail enterprises. Within retail, the importance of hawking the most basic necessities of food, fuel, and water declines, while the sale of garments and construction materials increases. Finally, in services, transport and personal service enterprises grow in importance relative to the business of renting property. Frequency distributions of both groups are shown in Table D-1.

A few additional observations can be made. First, the importance of enterprises in both the input and service side of construction activities increases outside of Kibera, suggesting that the building industry is stronger outside of Kibera, and has few linkages back into Kibera. Second, entrepreneurs are less likely to go into the manufacturing side of textiles such as dressmaking and tailoring, and more likely to go into the commerce side of the clothing subsector, both retailing and vending, which may reflect a preference for factory-made clothes in the non-Kibera market.

SIZE AND GROWTH PATTERNS

An interesting finding is that those businesses in increasingly dominant activities also show higher average growth rates than similar enterprises in Kibera. In the manufacturing subsectors of printing, masonry, and miscellaneous products, enterprises grew faster than their counterparts within Kibera. In commerce, wholesale businesses grew markedly faster than their Kibera counterparts. Similarly, in services, personal services grew faster than their Kibera counterparts. This suggests that the market outside of Kibera has different demand patterns from that within Kibera, and that the entrepreneurs who move into the outside market are fairly successful in identifying high-growth activities.

TABLE D-1
COMPARISON OF PERCENT OF ENTERPRISES BY SUBSECTOR

SECTOR/subsector	% of Firms Non-Kibera	% of Firms In Kibera
MANUFACTURING	26.9	22.3
Food and beverages	2.8	2.9
Textile and leather products	7.3	11.4
Wood and wood products	4.6	4.3
Printing	1.2	0.1
Chemicals and plastics	0.1	0.0
Masonry products	2.2	0.2
Fabricated metal products	3.7	1.2
Other manufacturing	5.0	2.2
CONSTRUCTION	1.4	0.1
COMMERCE	59.9	68.4
Wholesale trade	2.7	0.8
Retail trade, incl. vending	54.4	64.4
Restaurants, bars and lodging	2.8	3.2
SERVICES	11.7	9.2
Land transport	1.9	0.2
Rental property	0.5	4.0
Health, sanitation	0.5	0.7
Personal services	8.8	4.3
TOTAL	100.0%	100.0%
n	739	7355

Source: Survey data

A few subsectors show the opposite trend. While the frequency of fabricated metal products and construction activities has increased, the growth rate, while positive, is lower than in Kibera. Inversely, while the frequency of retail activities decreases outside of Kibera, its growth rate goes up. The reasons for these anomalies may be traceable to the competitive nature of these markets, the dynamics of the sector as a whole, or the nature of the choices facing the entrepreneurs. Table D-2 shows growth rates by sector for enterprises both inside and outside of Kibera.

As in Kibera-based enterprises, growth rates vary with the gender of the proprietor, with women-owned businesses growing more slowly than men-owned businesses.

TABLE D-2
COMPARISON OF GROWTH RATES BY SECTOR

SECTOR/Subsector	Avg Growth Non-Kibera	Avg Growth in Kibera
MANUFACTURING (Overall)	32.24	24.77
Food and beverage products	39.85	37.29
Textiles, leather products	24.20	21.47
Wood and wood products	23.95	26.32
Printing	77.38	--
Masonry products	53.77	50.03
Fabricated metal products	27.11	32.90
Other manufacturing	31.96	15.10
CONSTRUCTION	80.32	154.73
COMMERCE (Overall)	19.48	18.70
Wholesale trade	32.60	21.45
Retail trade, incl. vending	18.64	17.05
Restaurants, bars and lodging	24.12	46.56
SERVICES (Overall)	27.66	17.58
Land transport	3.00	12.19
Rental property	--	3.94
Health, sanitation	--	19.06
Personal services	34.40	25.55
OVERALL	24.70	20.13

Source: Survey data

In terms of size, the average enterprise currently has 2.6 workers, up from an average start-up size of 1.6 workers. As shown in Table D-3, it appears that enterprises outside of Kibera not only grow faster than those within, but they also start larger.

TABLE D-3

COMPARISON OF SIZE AT START-UP AND CURRENTLY

	Average # of workers	
	At start-up	Currently
Enterprises in Kibera	1.29	1.83
Enterprises outside of Kibera	1.65	2.60

Source: Survey data

OWNERSHIP AND LABOR FORCE COMPOSITION

As in Kibera, the vast majority of businesses are sole-proprietorships. However, proprietors of businesses outside of Kibera are more likely to be men than in Kibera-based businesses (56.5 percent as opposed to 46.9 percent). The composition of the labor force in enterprises outside of Kibera differs markedly from that of enterprises within Kibera. Of the total workforce (1,870 individuals), less than half are proprietors. Unpaid family workers play a very small role in the labor force, while hired workers play a much greater role than in Kibera-based businesses, as shown in Table D-4 below. Also of note is the lower proportion of female and part-time workers.

TABLE D-4

COMPARISON OF LABOR FORCE CHARACTERISTICS

Category	% of Workers Non-Kibera	% of Workers In Kibera
Proprietor	47.8	60.4
Unpaid Family	7.9	17.9
Paid Workers	44.7	22.2
TOTAL	100.0%	100.0%
n	1870	11,754
% of female workers:	30.3	44.3
% of part-time workers:	6.6	10.8

Source: Survey data

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