Evaluation Summaries

International Labour Office

Growth-Oriented Women Entrepreneurs (GOWE)-Kenya Program

Quick Facts

Countries: *Kenya*

Final Evaluation *Date: 29th April-2nd July 2010*

Mode of Evaluation: *Independent*

Technical Area: *Women SME Capacity Building & Loan Guarantee*

Evaluation Management: *ILO Dar es Salaam* **Evaluation Team:** *Stanley Karuga*

Project Start Date: *5th March 2007*

Project End Date: *30th April 2010*
Project Code: *KEN/06/01/IFC*

Donor: AfDB *(US$ 13 Million of which the ILO component financing amounted to US$ 571,893)*

Keywords: employment creation, gender equality, entrepreneurship

Background & Context

Summary of the project purpose, logic and structure

The overall project purpose/objective was to create employment and reduce poverty in Kenya through the economic empowerment of women focusing on growth-oriented women entrepreneurs and strengthening of their member-based associations and networks. This was to be achieved through three main interventions: (a) Facilitating GOWEs' access to finance using an African Development Bank (AfDB) partial guarantee facility with local banks; (b) Enhancing access to relevant business development services mainly through training and business mentorship; and (c) Strengthening the capacity of local Business Development Service Providers (BDSPs), financiers and Women Entrepreneurship Associations (WEAs) so as to deliver services to target beneficiaries more effectively.

Project logic entailed the fact that small businesses form the backbone of economic growth in Sub-Saharan Africa including Kenya where small and medium enterprises (SMEs) provide livelihood and employment of the bulk of the people with about 50% of such businesses being owned and operated by women. Despite this, the SMEs particularly those owned and operated by women face a myriad of challenges that limit growth of their businesses and hence their empowerment and "voice in society". Based on background studies conducted jointly by the AfDB and the International Labour Organization (ILO), some of the most constraining factors include lack of entrepreneurial capacity and access to credit primarily due to lack of requisite collateral-hence the strategic choice of interventions, namely; capacity building of growth-oriented women entrepreneurs through training in relevant areas and facilitation of access to finance.

The geographic coverage of the project included Nairobi, Mombasa, Kisumu and Nakuru towns and their environs.

The program was fully funded AfDB to a tune of US$ 13 Million of which the ILO component financing amounted to US$ 571,893. The International Finance Corporation (IFC)-which was AfDB's lead contractor-was responsible for overall program management while the ILO was responsible for overall training but in collaboration with IFC in the area of business planning.

Present situation of project

The project was launched in November 2006 but the actual implementation of the ILO's capacity building sub-component did not commence up until March 2007 due to complications in the hiring procedures of the ILO by IFC-which had been pre-selected by AfDB. The project was scheduled to run for two-and-a half years from March 2007 through to September 2009. Due to the delays in commencement, and to provide time to enable the project attain anticipated deliverables, the project was accorded a "no-cost extension period" to April 2010, at the request of IFC and ILO.

The capacity building sub-component-which was the domain of the ILO-has attained commendable achievements to date having trained up to 711 entrepreneurs thereby surpassing the target of 180 by more than 295%. The financial access sub-component of the project also attained fairly good achievements albeit below expectations having reached 40 out of the targeted 60 entrepreneurs and 56.2% of targeted loan disbursement amounting to US$ 4,000,000.

Main Findings & Conclusions

The main data collected for project evaluation included the population of entrepreneurs trained in various areas towards improved business and financial management; the number of entrepreneurs who had accessed GOWE loans and the aggregate loan disbursed by participating banks and by project areas. The evaluation also attempted to collect data and information project impact by way of business revenue generation and employment creation-albeit without much success due to poor records on the part of respondents.

Data and information collection was based on both literature review and direct "one-on-one" and focused group discussions based on a random sample of respondents drawn from three of the main geographical clusters, those trained and financed, those financed only and those trained only. The geographical areas covered by the evaluation included Nairobi, Mombasa and Kisumu primarily because the three areas had the critical mass of beneficiaries from all categories-trained and financed, financed only and trained only. The sampling method was used because of the limited time allowed for field interviews (6 days) out of 11 total contract days). The Evaluation Mission spent 5 days for interviews in Nairobi, and 1 day each for field interviews in Mombasa and Kisumu, leaving only 4 days for analysis and follow-up of field interviews thereby surpassing the number of days provided under the contract by up to 30%-primarily due to the subsequent inclusion of the IFC sub-component which was not part of the contract. The main sources of data and information included secondary data from IFC and ILO, as well as primary data through interviews.

The main limitations facing the evaluation mission included (a) lack of adequate time to facilitate the collection of data from a larger sample of respondents in the field-given the limited number of days accorded under the terms of service under the contract; (b) poor documentation of secondary data; (c) lack of proper business records on the part of the respondents particularly with respect to revenue generation ("the before and after scenario).

Overall, the project performed reasonably well. The capacity building component of the program achieved results having trained up to 711 entrepreneurs in various courses and thereby surpassing the target of 180 by more than 295%. Of this total 608 or about 86% were women entrepreneurs. Although it is recognized that some of the beneficiaries underwent more than one course and therefore the possibility of double counting, at least 255 beneficiaries (comprising 206 women) took courses in SIYB, EYB, IYB, WED-CB, WEA-CB and GET Ahead. Over 456 beneficiaries (mainly women) took the BP course. A total of 46 BDSPs against a target of 40 were trained on EYB, SIYB, and mentoring courses who in turn trained 239 women entrepreneurs on the various courses-surpassing the target by about 15%. A total of 70 representatives from WEAs were trained against a target of 100-which represents 70% achievement in relation to target set by the project. Targeted financial institutions, BDSPs, WEAs and relevant line ministries departments and government agencies received training on effective design and service provision for women entrepreneurs. One FAMOS check with one of the banks was undertaken which led to improvement in the provision of services to women entrepreneurs. However this was 1/3 of the targeted three FAMOs check with GOWE Banks largely because the other banks were unwilling to undertake this service check. The final beneficiaries, particularly GOWEs are effectively using the knowledge acquired to run their businesses with some reporting positive results.

The performance of the financial access sub-component was also fairly good having reached 40 out of the target of 60. This translates to about 67% of the target figure-which is significant taking into account that it was not under the full and direct control of either the IFC or ILO program management and implementation team. In terms of total loan disbursement, performance was below expectation having expended only USD 2,248,862 or about 56.2% of the targeted amount of USD 4,000,000 by June 2010. This low performance was primarily linked to limitations by way of the number of selected banks and their branch network, inadequate commitment particularly by two of the selected banks (CFC-Stanbic and CBA), and the negative effect of the rather lengthy due diligence process administered by AfDB.

It was not possible to collect adequate data and information during the evaluation mission to be able to determine the overall impact of the program by way of income generation and employment. This was primarily due to the limited time that was available for field interviews and lack of readily available financial records among the majority of those met during the evaluation mission. However two case studies during this evaluation mission indicated annual turnover increases in the order of 60-70% over a period of 1-2 years. In this respect, the evaluation mission was also informed that an earlier and quick assessment through a consultant commissioned by the IFC in December 2009 had also shown that 21 out of 38 guarantee beneficiaries that had been sampled had created a total of 165 new jobs.

The main <u>internal factors</u> which adversely affected project performance included: (a) the slow roll out of the financial access component occasioned by inadequate commitment on the part of local banks which was also linked to AfDB's bureaucratic procedures in relation to the due diligence process; (b) high and unanticipated staff turnover in the regional ILO office and some of the local banks as well as some of the government institutions; (c) bureaucratic processes of resolving issues on between the IFC and AfDB; and (d) the setting of the minimum loan threshold (KShs 1.5 million) at a level higher than the range desired by the potential beneficiaries of between KShs 500,000 and 1.500,00-which had been pre-established through the baseline survey of March 2007.

The main <u>external factors</u> which adversely affected the performance of the project included: (a) the 2007/2008 post election violence which rocked businesses in Kenya and also halted project activities for several months; (b) the emergence of other similar women-enterprise funding projects sometimes with more attractive terms and conditions (e.g. the Women Enterprise Fund) and; (c) the global financial crisis that rocked the world economies for most of 2008 and 2009.

The main positive unintended project results included: (a) Increased business networking among WEs who attended training courses, and also notable drive on the part of these beneficiaries towards business networking with the wider business community-with some respondents indicating that they have already made businesses as a result; (b) Increased interest in establishing business networks which in fact prompted the establishment of the Enterprise Development Network (EDN) in 2009 for the trained BDSPs; (c) Inculcation of entrepreneurial culture among beneficiaries of the GOWE project.

The main negative unintended project results included (a) distortion of market prices for training (i.e. project charges of KShs 8,000-10,000 charged by the project per person per week compared KShs 50,000-which is the estimated market price); (b) exclusion of potential borrowers by the setting the minimum loan threshold at KShs 1.5 million-which nearly all respondents felt was too high; (c) Limited improvement in access to financial resources due to the choice of just three local banks-the majority of which did not demonstrate innovativeness in approach so as to maximize outreach for the intended beneficiaries.

Main Lessons Learned & Recommendations

The main lessons learned are: (i) That there is significant demand for capacity building/training by women enterprises in Kenya; (ii) The need to *market the GOWE project more aggressively and effectively* through a variety of media for greater outreach and dissemination of accurate information; (iii) That the critical mass of potential borrowers in Kenya is in the range of KShs 500,000-1,500,000 as rightly established by the "country baseline study" regardless of the financiers' definition of SMEs; (iv) That although the contents of the training modules and delivery of training were both rated highly; there is need to simply the training modules to meet the requirements of some of the potential borrowers. In this respect, some of the project beneficiary respondents felt that the training (over a period of 5 days) was rushed while others felt that it was quite okay. (v) That there is need to supplement formal training with "experiential training" whereby more visits or mentoring sessions by role models are incorporated in the training program. (vi) The need to set training charges at market rates to facilitate effective participation of BDSPs (trainers) and sustainability of the intervention after project exit; (vii) The need for the project to train beneficiaries before recommending them to financial institutions for financing to minimize the risks of financial losses-which can back fire and dent the image of the financier and implementing agencies. The case of one woman entrepreneur in Mombasa attests to this point. In this respect, she clearly said that she would not have lost money in her business s she did in 2009 had she been trained, especially in BP and IYB. (viii) The need for the project to develop stronger and more effective follow-up of beneficiaries for enhancement of information flow and management of the project. (ix) The need to simplify the due diligence procedures and aggressively market the project among other local banks especially those that have stronger orientation to SME-financing and have nation-wide branch network. (x) The need to maintain strong and effective information management and documentation.

The main recommendations are as follows: (i) *Market the project more aggressively* especially among BDSPs including institutions, as well as local commercial banks focusing on those that are oriented towards SME financing and have adequate branch network country-wide to facilitate easier access by women entrepreneurs; (ii) *simplify the AfDB due diligence procedures* by utilizing information from the Central Bank of Kenya to minimize resentment on the part of local financial institutions and elicit greater interest and commitment; (iii) The need to *eliminate the minimum threshold for loans* under the project so as to unblock the critical mass of potential borrowers; (iv) the need to *cluster trainees into homogenous group based* academic training-possibly into two groups-those with secondary education and below and those with education above this level- and simplify the training modules for the former to make training content and delivery more sensitive to the needs of various target beneficiaries; (v) the need to *incorporate more "experiential training" and role model mentorship* into the training curriculum-which would have profound effect on entrepreneurial culture for the target group; (vi) the need to *step up the business networking initiative* among project beneficiaries and between project beneficiaries and the wider business community and also provide technical support and mentoring the EDN; (vii) the need to *expedite the BDSPs (trainers) roll out plan* through supporting the development of innovative training approaches to ensure commercial viability on the part of service delivery and affordability on the part of potential consumers of the service;