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# THE ENTERPRISE INITIATIVE PROJECT, KENYA

*A Review of UK assistance to Kenya's Enterprise Initiative Project (EIP) concludes that this type of fund represents good value for money as a means of stimulating local entrepreneurship and developing the small and medium enterprise (SME) sector.*

## MAIN FINDINGS

- Most activities funded by EIP successful
- High proportion of pilot projects financed go on to become substantial projects
- Potential for expansion of the SME sector indicates continuing need for small projects funds to finance experimentation and innovation
- Need for clear achievement indicators for each component project against which to monitor progress
- Delegation and procedural improvements would have reduced heavy demands on BASE staff

## Background

The study assessed the impact of DFID's assistance to the Enterprise Initiatives Project (EIP), a component of the British Aid to Small Enterprises in East Africa (BASE) Programme. EIP's aim was to help develop the capacity of private sector

intermediary institutions to promote the sustainable growth of small enterprises and micro-enterprises (SMEs). A further aim was to enable BASE to test the local environment, institutions and attitudes in relation to enterprise support, and provide

a low risk entry point into the sector. A key target was a 10% annual increase both in the number of beneficiaries receiving services and in the cost recovery level of the institutions. EIP funds were not intended to provide institutional core funding but rather finance for specific projects, usually of less than one year's duration. Funding limits were set at £35,000 for pilot projects and £10,000 for training, research and information projects.

### **The Main Conclusions**

The evaluators judged DFID's assistance a success overall, and good value-for-money. Very few of the activities funded by EIP were unsuccessful. A high proportion of the pilot projects went on to become fully-fledged projects. Less measurable, but still important, has been the knowledge gained of the relative merits of different approaches and organisations. This has benefited other parts of the BASE programme.

The EIP support was well designed and appraised. It fitted the Government of Kenya's priorities and complemented the work of other donors. The main reservation concerned the logical framework for the EIP Programme as a whole. It would have been more appropriate for local consultants to have worked with implementers to construct simple logical frameworks for each project, with clear

achievement indicators against which to monitor progress.

The growth in the number of organisations attracting BASE inputs put increasing demands on staff time. Much of this pressure came from the small projects funded under EIP. Whether alternative means of managing the process would have used BASE staff time more efficiently is an important question. Alternatives might include delegation, employing more staff, working more with well established operations, and simplifying BASE work (perhaps by putting it under the governance of a trust) to allow more time for pilot projects. Reducing information gathering by BASE staff, while increasing results monitoring by consultants, might be one approach.

***EIP 'responsive, flexible and highly interactive'.***

Small projects funds face a number of risks. All too easily they can be used to fund unrelated, poor quality, non-innovative projects. Too many clients and projects can reduce the potential for learning from experience as staff become preoccupied with implementation detail rather than strategy. The managers of EIP succeeded in avoiding these risks. Bad projects were quickly dropped, and good projects graduated to other funding arrangements. Despite the pressures,

BASE staff saw EIP as (in their words) a 'responsive, flexible and highly interactive project'.

A small projects fund designed to stimulate innovation and experimentation in business support does not necessarily have substantial immediate benefits for the intended final beneficiaries, that is entrepreneurs. Such benefits tend to be medium-to-longer-term in nature as successful innovations bear fruit. But the costs of a small projects fund are low, particularly if - as in the case of BASE -

management costs are shared with other funding activities. This increases sustainability.

The potential for expansion of the SME sector, and of the services to it, indicate that small projects funds such as EIP continue to be needed, to finance experimentation and innovation.

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## KEY LESSONS LEARNED

- Small projects funds have an important rôle to play in experimentation and innovation in the small, medium and micro enterprise (SME) sector.
- Management of small projects funds can be very time-consuming. The lesson is to streamline project administration wherever and, whenever possible, to delegate work outside, computerise and simplify procedures.
- As the basic financial and non-financial support services for SME develop, the constraints on SME development seem increasingly likely to be infrastructural, governmental (e.g. licences) and legal (e.g. contract enforcement).

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**For further information see "British Aid to Small Enterprises (BASE) in Kenya: the Enterprise Initiative Project (EIP)" (Evaluation Report EV603), obtainable from Evaluation Department, Department for International Development, 94 Victoria Street, London SW1E 5JL, telephone 0171-917-0243. This report will also be accessible via the Internet in due course.**

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The policy of the government was set out in the White Paper on International Development, published in November 1997. The central focus of the policy is a commitment to the internationally agreed target to halve the proportion of people living in extreme poverty by 2015, together with the associated targets including basic health care provision and universal access to primary education by the same date.

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