



1. Project Data:		Date Posted : 09/29/2003	
PROJ ID: P001353		Appraisal	Actual
Project Name: Micro & Small Enterp	Project Costs (US\$M)	19.2	11.4
Country: Kenya	Loan/Credit (US\$M)	19.2	11.4
Sector(s): Board: SP - Vocational training (58%), General industry and trade sector (25%), Central government administration (17%)	Cofinancing (US\$M)	0.0	0.0
L/C Number: C2596			
	Board Approval (FY)		94
Partners involved :	Closing Date	12/31/2001	12/31/2002
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives

The long-term objective of the project was to enhance entrepreneurial development in the private sector and, more specifically, to reduce constraints to employment and income enhancement in the micro - and small-scale ("Jua Kali", or informal) enterprise sector in Kenya. The original specific project objectives were to :

- provide skill upgrading for about 60,000 Jua Kali personnel (mainly in the manufacturing sector), and diversify and improve the quality of about 200 public and private sector training providers .
- increase the access of small scale entrepreneurs to appropriate technology and marketing information and attendant infrastructure (sites and services) on a pilot basis .
- improve the policy and institutional environment, particularly strategic policy analysis, monitoring and evaluation functions of the Ministry of Research, Technical Training and Technology (MRTT&T), and the management capacity of the Jua Kali Federation and Associations .

The project was restructured at mid-term, shifting the emphasis to building awareness, demand, and supply capability to sustain a private training market. The amended project had three main parts : demand-driven training, technology development and pilot infrastructure, and institutional development . The specific objectives of the restructured project were to :

- provide skill and management training for about 32,000 Jua Kali workers in the manufacturing sector (subsequently revised downward to 24,000).
- establish a viable market for training and support services to micro and small enterprises (MSEs) by diversifying and improving the quality of about 20 public training institutions and 200-300 private sector training providers .
- increase the access of about 1,400 MSEs to technology, business development services, and microfinance institutions .
- improve the policy and institutional environment for Jua Kali development by improving Ministry strategy, policy analysis, and monitoring and evaluation functions .

b. Components

The original components were:

- Jua Kali Training Fund (voucher program and contract training scheme): \$11.5 million. This component was central to the project, attempting to provide skill and management training to MSEs and foster more effective utilization of existing private and public training institutions .
- Technology Development: \$2.8 million. The funds were used to upgrade training providers, and assist Jua Kali Associations getting training from microfinance institutions and in forming Savings and Credit Cooperatives themselves .
- Pilot Infrastructure: 2.8 million. The infrastructure pilot program was eventually dropped and the funds were cancelled .
- Policy Analysis, Monitoring and Evaluation : \$1.4 million. This component helped to develop and implement an

M&E plan for all components, develop manuals, and develop an MIS system .

- Staff Development: \$0.7 million. Provided training of Ministry staff, the Project Coordination Office, and Jua Kali representatives in the skills required for effective management and supervision of the project .

The revised components were:

- Jua Kali Training Fund: \$7.5 million.
- Technology Development: \$1.8 million.
- Pilot Infrastructure: \$2.8 million.
- Policy Analysis, Monitoring and Evaluation : \$1.4 million.
- Organizational and Staff Development: \$0.7 million.

c. Comments on Project Cost, Financing and Dates

The project took three years to prepare, but was still under -designed and complex, forcing the team to continue designing for two years after effectiveness .

Due to lack of implementation progress, an intensive mid -term review mission was conducted in July 1997. The project was transferred from the Human Development Group to the Private Sector Development Unit and was re-designed as described above . The restructured project removed specific conditionalities and was streamlined to focus on the voucher program. \$7.8 million of the loan was cancelled.

Considering the lengthy delays and restructuring, the voucher program in its final two years managed to catch up quite substantially with its original objectives .

3. Achievement of Relevant Objectives:

The project stimulated the market for business services in the informal sector . On the demand side, the project increased information about the business services market and an acceptance of the value of business services, resulting in an increase in the willingness to pay for training . On the supply side, the project motivated training providers to offer shorter, more tailored, and more affordable courses . Indications of higher sustained supply of services as a result of the project were (a) investment in new training facilities, and new fixed assets such as equipment and classrooms; (b) substantial diversification, reorganization and commercialization of training courses; and (c) hiring of permanent service staff.

The achievement of policy analysis and M&E objectives was highly satisfactory owing to the level of effort and importance placed on impact evaluation and monitoring . Given the innovative nature of the project, the effort devoted to M&E provided a useful contribution to the understanding of demand -side instruments for promoting BDS.

4. Significant Outcomes/Impacts:

Entrepreneurial development in the private sector was enhanced, particularly in the informal sector . Tracer study results show that the project improved profits, sales, and investment in a significant proportion of trainee businesses (relative to a control group), upgraded micro-business, and helped start new businesses, most of which were run by women.

The project's institutional development impact was high . The Ministry of Labor and Human Resource Development created a new Department of Micro and Small Enterprise Development and integrated the staff of the PCO into the new structure. Consistent with current best practice in BDS, the Ministry has adopted the principles of the government playing a facilitating role, and encouraging private institutions to play the leading role, in service provision. In addition, the role of the Jua Kali associations was strengthened as a result of the project, and a National Association for Technology Transfer and Entrepreneurial Training was created .

5. Significant Shortcomings (including non-compliance with safeguard policies):

The Pilot Infrastructure program was dropped, and the funds cancelled, when it became clear that construction could not be undertaken before project closure .

The Bank's performance in preparing the project, as reflected in quality at entry, was unsatisfactory . Transparency and accountability concerns were voiced by other bilateral donors prior to Board presentation of the project . Poor quality at entry had major implications for the timeliness of project effectiveness and implementation . However, the restructured project followed emerging international best practice in business development services, resulting in greater sustainability and likely additional training beyond the life of the project .

There were problems on the side of the government that hindered the achievement of project objectives, particularly at the beginning of the project. These included shifting oversight among four Ministries, delays in effectiveness and implementation, a high level of interference, an inability to meet the conditions of effectiveness, and attempted fraud .

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	The ICR provides evidence that the

			original overall objectives of the project were substantially achieved .
Institutional Dev .:	High	High	
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Highly Satisfactory	The Bank's performance in preparing the project, as reflected in quality at entry, was unsatisfactory. However, the proactive response of the Bank at mid-term resulted in a revised project that was very innovative and reflected best practice in business development services for small enterprises .
Borrower Perf .:	Unsatisfactory	Unsatisfactory	
Quality of ICR :		Exemplary	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

Even in the informal micro-business sector, there are opportunities to expand the private provision of business development services. Training vouchers provide a useful demand-side mechanism to stimulate the development of this market.

8. Assessment Recommended? Yes No

Why? This is an innovative project (as restructured) that tests the new paradigm of BDS market development. It would be interesting to evaluate the market development impact of the project after more time has elapsed.

9. Comments on Quality of ICR:

From its beginning, the project placed great importance on monitoring and evaluation . This allowed this exemplary ICR to present thorough and convincing evidence of the achievement of outcomes and impacts .