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KENYA RURAL INDUSTRIAL DEVELOPMENT PROGRAMME:
ITS ROLE AS AN EXTENSION SERVICE PROGRAMME^{1/}

by

•
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SUMMARY AND RECOMMENDATIONS

Summary

The purpose of this report is to assess the Rural Industrial Development Programme (R.I.D.P.) as an extension service programme. It is hoped that the findings may lead to a review of the role of extension service as a tool for: (1) assisting existing rural workshops, (2) promoting new industries outside the metropolitan areas.

The report is the third to come under the agreement between the Ministry of Finance and Planning and the Institute for Development Research. The evaluation reports of 1973 and 1974 dealt with R.I.D.P. in its entity. This report deals with one major aspect of the programme, the service rendered in the form of free field assistance, free center assistance and charged assistance.

Extension service is direct assistance i.e. services rendered to single enterprises or a group of businesses by the assistance agency. Indirect assistance in comparison are benefits offered to the business category as such through legislation and other government measures to improve its conditions of existence.

In essence the concept of extension service implies that those to be assisted are being so in their working situation. There is no general agreement on the interpretation of the concept in relation to industry and crafts. One approach is "technological" which means that the problems to solve are mainly connected with insufficient skills of the industrialist or craftsman, whether technical or managerial. This approach is based on analogies to agriculture, where the market for the individual small producer is unlimited. Field work at "clients'" workshops is prescribed to bring the "lacks" up to standard. Another approach is "environmental" and conceives the main problems as those of poor business conditions. Consequently the main task for the assistance agency is to provide physical or commercial facilities to alleviate the work situation of the clients. For example through the establishment of industrial estates or marketing programmes.

In practice both approaches means selection of clients to be assisted due to the limitations of manpower and funds available. Indirect assistance however in principle may be tapped by any entrepreneur of the business sector supported.

R.I.D.P. was originally designed as an extension service programme with emphasis on skill formation and field extension to as many small rural workshops as possible. Placed under Kenya Industrial Estates Ltd., (K.I.E.), which is basically offering environmental services, a conflict was apparent from the beginning. K.I.E. was the only possible institutional framework for R.I.D.P. but was left with no national targets or strategies for the extension service to existing rural workshops. A compromise was reached between K.I.E. and various donors, and 4 Rural Industrial Development Centers (R.I.D.C.) began their work as a mixture of extension offices and "mini-estates". The basic question of "whom to assist with what" was however left open for a trial and error approach by the R.I.D.C.s.

A.R.I.D.C. of the present type has workshops, offices and classrooms. Investments in building and equipment amount to 1,5 million Shs. The average staff of a R.I.D.C. is 15 and includes manager, 5-6 engineers and technicians and supporting staff. The operational costs average 0,4 - 0,5 million Shs. of which the bulk are salaries.

The services rendered through the programme may be classified as free field assistance (F.F.A.), free center assistance (F.C.A.) and charged assistance (C.A.). F.F.A. is extension service in a narrow sense. Some 19,000 assistance hours were "produced" in 1974 by R.I.D.P. and some 540 clients were registered, mainly woodwork- and metal workshops located at market places or in the R.I.D.C. towns. 60% of the clients were assisted in some or another way in 1974, which is considerably more than in 1973, the first year of operation.

Free field assistance has been declining relatively to other forms of assistance ever since 1973. Its share of assistance hours is now 10-15%. Since the programme was supposed to "reach out" it may be asked whether this development is due to

internal or external factors or a combination of both?

The Machakos R.I.D.C. case study throws light on this question. 33 of the centers normal pool of 120-135 clients were exposed to a systematic field assistance over a period of 1-1½ year. On the average those clients were visited 11 times and called upon the center 17 times. They also on an average represent an input worth 7,100 Shs. in direct assistance costs.

The responses have been disappointing. In spite of a carefully planned "assistance-package" some 30% did not at all respond to the R.I.D.C. suggestions. The rest accepted assistance elements representing "substance" to them, but refused general advice. The center studied their cases carefully and concluded, that in general it seems difficult to assist the established rural workshop through a conventional extension programme, and hardly possibly to raise the general level of the entrepreneur and his employees. (Ref. no. 5 in the text).

The experience in R.I.D.P. context suggests that the main problems of the rural workshops are environmental in the first instance and not those of lacking skills. An extension programme which mainly aims at skill upgrading therefore does not seem to fit clients priorities, and if not motivated to accept the assistance parcel - they loose interest in the R.I.D.P.

By changing the emphasis from F.F.A. to other forms of assistance the R.I.D.C.s have responded themselves to realities in a healthy way. Other forms of assistance have therefore been emphasised. These are raw material purchasing or marketing assistance programmes, the provision of "workshop clusters", product development and most important, assistance to the establishment of new industries. These forms of direct but grouped assistance seem to be more promising alloys than the one originally foreseen.

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The conclusions to be drawn from the Machakos case study and observations done at the three other R.I.D.C.s may be summarized as follows: The trial-and-error approach to the difficult task of assisting small rural workshops, have produced invaluable experiences with respect to the relevance of the various forms of assistance in terms of costs and responses. A more bureaucratic institution than K.I.E. might not have been able to produce a similar insight. But in view of the planned expansion of the R.I.D.P. representing an investment of 25 million Shs. and additional yearly operational costs of 8 - 9 million Shs., it may be argued that time has come to review the whole approach.

First of all it seems relevant to return to the open question of whom to support with what? National objectives should be connected with resources available for assistance. Direct assistance is inevitably a question of selection, and of intervention into the market game. Priorities fitting the national objectives as well as the needs of the different consumer groups in the areas served by the R.I.D.C.s should be worked out. As no national industrial development strategy is at hand now, the establishment of a policy may start from analysis of the provincial, district or location industrial market. The proposed reorganisation of K.I.E., into a system of regional Industrial Estates with subordinated satellite R.I.D.C.s, opens a possibility to create an unified industrial promotion programme for the development of new industries outside Metropolitan areas. The establishment of the Small Business Development Agency likewise will be an opportunity to define the indirect assistance needed by rural workshops.

Recommendations

The existing R.I.D.C.s should review the Machakos recommendations regarding free field assistance and group their clients according to the form of assistance they may need. A 3rd Programme Conference should be held in October to discuss priorities of clients to work with, targets for the programme in operational terms and public policy statements regarding center policies.

From an opportunity cost consideration Kakamega and Nyeri R.I.D.C.s should review their staff and resource allocation as a step to conversion to Industrial Estates, while Dabu R.I.D.C. may consider a more systematic cooperation with the District Development Center and R.I.D.C. Machakos may prepare a programme for assistance to erect workshop clusters at market places for rural workshops. A review of the product development policy is needed.

At the programme level K.I.B. may prepare a policy statement regarding the announced reorganisation into a decentralized system of Regional Estates. Guidelines for the division of responsibility and activities between the Head Office and the Regional Estates should be prepared. The future role of satellite R.I.D.C.s should be defined and standards for their construction and operation at a lower cost level than the present R.I.D.C.s should be prepared.

At the Government level the relative role of direct and indirect assistance to the different categories of small enterprises may be reviewed.

PURPOSE OF REPORT

According to the agreement between the Ministry of Finance and Planning and the Institute for Development Research periodical evaluation reports have to be prepared by the IDR staff assessing the Rural Industrial Development Programme in terms of the objectives set and including the criteria for the evaluation of the impact of the programme.

This report is the third to come. The two first (1) dealt with the R.I.D.P. in its entity and attempted to analyse its establishment, administration, services rendered and achievements. Detailed recommendations were put forward to make the programme function more efficiently within the organizational framework of Kenya Industrial Estates Ltd. (KIE). Emphasis was put on thorough planning, budgeting and reporting at the programme and project levels. The period covered by the two first evaluation reports included the programme's take-off and first year of full scale operation (mid 1972 to mid 1974).

This report is an attempt to deal with one major aspect of R.I.D.P. - its role as an extension service programme to the benefit of established small rural industries in the areas served by the four existing Rural Industrial Development Centers (R.I.D.C.) located in Embu, Kakamega, Machakos and Nyeri.

The purpose is to monitor to the involved parties i.e. the policy- and decisionmakers of R.I.D.P./K.I.E. and the ministries of Commerce and Industry and Finance and Planning some of the findings regarding extension service to small businesses derived from the study of R.I.D.P. since 1972.

(1) Evaluation Reports, I.D.R. 1973, 1974.

- a. Hans Kristensen, Per Kongstad: Assistance Problems Policy Planning and Administration. Report in the Programme Conference, Nyeri, 5-6/9-73. I.D.R. papers A. 73.7.
- b. Hans Kristensen. Report for the Programme Conference, Kisumu, 24-26/4-73. I.D.R. papers A. 74.7.

By doing so it is hoped that the said parties may find the information forwarded and the views expressed apt to review the role of extension service as a tool for the promotion of rural industrial growth, economic diversification and employment.

R.I.D.P. was inaugurated as an extension programme i.e. a programme which attempts to develop the business of its clients through assistance in the "field" - at clients' business locations. The staff of R.I.D.P. has been seriously engaged in this form of development assistance over the past two years. Their records of services rendered and responses from clients assisted to form a basis for the assessment of extension service to rural industries.

Whereas it may be argued that two years of experience do not justify any farreaching and generalised conclusions regarding the attempt to promote industrialisation in areas where there is no or little tradition for industrial production, it is argued here that this specific form of assistance may lend itself to assessment after two years of practice. Clients selected for assistance among the ubiquitous of rural industry, woodworkers and metal-workers have been intensively exposed to a "tailored" package of services over a period of until 1½ year. Few if any would argue that the services offered to individual clients should be extended beyond that time limit. The question of success and failure of this form of assistance would in fact have to be proven from less intensive and more promptly terminated cases than those referred to here. The costs involved in intensive assistance programmes justify this suggestion. Opportunity-cost considerations would yield further support to this conclusion.

The response to extension service offered by R.I.D.P. have been much less encouraging than expected. The experience gained therefore suggests that this tool for the promotion of small industries is being reviewed now. It may be asked whether the rather limited results are due to the particular implementation given or have more to do with the very concept

of extension service underlying the approach of R.I.D.P. to business-problems. Or a combination of both. The report will deal with both aspects and as a conclusion present some suggestions for consideration.

The description and analysis to follow is not meant as an academic exercise nor as a criticism of the R.I.D.P. It has been the intention to support those working under the programme and naturally therefore wanting results of their efforts in the form of industrial growth, diversification and employment. The wider perspectives of the report lie in the fact that the current Development Plan includes an expansion of R.I.D.P. to 21 Rural Industrial Development Centers.

WHAT IS EXTENSION SERVICE?

An Agricultural Concept

As a concept extension service refers to a particular approach to problems of agricultural development. It is anticipated that the level of farming can be improved by a programmed assistance to individual farmers including demonstrations, on-the-job training, technical assistance, advice and supervision provided by extension officers from the various agricultural development agencies. Ideally the extension services would be offered those "lacking behind" as regards the technical standards of farming.

In practise it is however often the "leads" who are given assistance because it is easier to transfer the technology provided by extension officers to "progressive farmers" than it is to apply it on the small peasant. In essence the concept is linked to the idea that uniform standards of excellence can be provided for crops and farmers to evaluate their "lacks" and "leads" and thus be the guidelines for the quantity and quality of assistance to be offered. Norms, targets and a basis for evaluation of the assistance may therefore be developed to a strategy with extension services as operational "tools".

The Assumptions

The concept rests on the assumption that those assisted will cash the results of the improved quality of their products and the increased productivity of land and labour. As no or little competition exists between individual farmers the increase of marketable surpluses obtained by one farm does not harm its neighbours or prevent them for doing the same. A rational motivation for acceptance of extension service therefore seems to exist. The concept thus appears to be of a technological nature and not in essence a concept dealing with the economic environment as decisive for the success or failure of the producer.

In practise agricultural extension service has been "transfer of technology" as well; from more developed to less developed areas. With the more developed areas as models the problem has been seen to produce skill formation in the less developed to upgrade their producers to the same level of skills.

EXTENSION SERVICE IN SMALL SCALE INDUSTRY

The Concept

The concept of extension service has been adopted by industrial development agencies. But as the discussion in Kenya shows, there is no general agreement on its interpretation in the industrial field.

Mr. A.M. Sikhule, deputy general manager K.I.B. (2) in his version seems to adapt a wide interpretation including all the direct forms of assistance to be offered by public authorities by necessity, to promote national industrial development. The authors of the Report of the Working Party on Small Business Development (3) however restrict themselves to a more conventional interpretation of the concept. It is a "tailored package" of assistance offered to the individual

- (2) A.M. Sikhule: Small Industry Development: The Role of Extension Service. Small Scale Enterprise. I.D.S. Occasional Paper No. 1, p. 100-107, Nairobi, 1973.
- (3) Report by the Working Party on Small Business Development Nairobi, June 1972.

businessman to enable him to acquire "a more generalised knowledge of business management and an ability to recognise the existence of problems when they arise. With the latter ability he will draw upon such specialized external expertise as is necessary", (p. 11-12). The Working Party's report also suggests that the extension service should "reach out" and "seek out" businessmen needing assistance and advice (p. 13).

From the two examples quoted it may not be inferred that major divergencies exist in principle. But the suggestions of the Working Party's report reveal that extension service to small businesses is mainly seen as a tool to overcome technological deficiencies of the entrepreneur. Mr. Sikhule on the other hand seems to emphasize the economic environment "by which his activity is to a large extent affected" (2) (p. 100).

No Strategy Developed

The various viewpoints put forward from the days of the Kericho Conference to the Masai Lodge Conference however never materialized in any concepts that were fitting any industrial development strategy. The foci of discussions were objectives i.e. industrial growth, economic diversification and employment and the "tools" i.e. the various forms of assistance. The linkage between those two levels i.e. the strategy was not emphasized. It means that the factors responsible for the present situation (little or no industrial development in rural areas) and the conditions to be changed in order to promote rural industrial ventures did not become an essential part of the planning and implementation of the R.I.D.P.

R.I.D.P. AS AN EXTENSION SERVICE PROGRAMME

Investments and Staff

R.I.D.P. began its activities in 1972. Some 6 million shillings were invested in buildings, equipment and a revolving loan fund. Each of the four R.I.D.P.s thus represents an average investment of 1.5 million shillings.

A center includes an administrative building with offices and classroom and 3 workshops equipped with powerdriven machines and handtools for woodwork, sheetmetal work and general mechanic operations. The machines include rather advanced specimens such as universal lathes.

The staff of R.I.D.P. has gradually expanded to a total of 67 (April 1975), of which 8 are expatriate technical advisers or technicians. The technical staff includes 20 engineers and technicians and the remaining 47 are either administrative including center managers or have other supporting functions. R.I.D.P. is incorporated in Kenya Industrial Estates and the ultimate responsibility for the programme is held by the K.I.E. general manager. At headquarter level the post as programme manager is temporarily vacant thus leaving the chief technical adviser with the day-to-day administration of the programme.

With an average staff of 15-16 of which 5-6 represent the potential extension service officers, manager plus adviser and technicians, the R.I.D.C.s have more manpower than expected for a basic extension service unit, a situation which reflects the rather capital/intensive nature of the programme.

The Duality of R.I.D.P.

The planning, construction and establishment of the R.I.D.C.s did not adhere strictly to the concepts of extension service in the more traditional sense. However, in its present shape R.I.D.P. is a compromise between different and even conflicting approaches to the problem of promoting rural industrial development.

Not because of the objectives discussed by the involved parties. They all deal with the establishment of Kenyans in rural industries, diversification of the rural economy and employment. The ministries involved, K.I.E. and the donors invited to participate in the programme, generally spoken had the same objectives in mind.

But since there were no decisions taken regarding the main strategy to follow at the moment R.I.D.P. was handed over to K.I.E., it may be argued that the question of high concept of extension service to adapt was also left open. And by that the essential choice of whom to assist with what.

The decision to nominate K.I.E. as the body to be responsible for the implementation of R.I.D.P. however appears to be the only logic solution to the question of a organisational framework for R.I.D.P. No other powerful and competent institution existed, which could handle the delicate and cumbersome task of nursing and feed an emerging national industrial tradition from the grassroots level. And some powerful institution must concentrate energies on crucial tasks beyond the competence of local small-scale enterprise, and must provide sufficient momentum for the creation of indigenous economic enterprises capable of surviving in competition with other modern centres of development", to speak with Gerschenkron (4).

The problem here in relation to the subject of extension service was that K.I.E. almost by definition must accommodate the R.I.D.P. as an environmental programme on line with its main purpose - the creation of modern small scale and medium industries in urban areas through the provision of an industrial environment in the industrial estates. To alter the principle of a clustered support to selected industries "in being" with that of "reaching out" under the same roof, was more than could be expected from any policy-making management, and therefore there was a basic conflict embedded in the R.I.D.P. from the very beginning.

The obscurity of the concept of extension services to all parties involved did contribute to the uncertainty about the policy of R.I.D.P. when construction of its artefacts began. Unexperienced but committed donors, advisors, and

4) A. Gerschenkron, Economic Backwardness in Historical Perspective, Cambridge, Mass. 1962, page 354.

research fellows lobbied for the preconceived ideas of the necessity of a technological approach. "Skill formation" was the key word and to reach as many as possible with the extension services to be established, was a political must.

The compromise was a mixture of an industrial estate and an extension service unit. The R.I.D.C. in its basic form has workshops for several purposes (demonstration, repair of tools, on-the-job-training, usage by clients in regular production) but no camp of clients' workshops as in an industrial estate. Its staff is supposed to visit clients in their locations in the rural areas and at the same time being operators of machines in the workshops of the center.

The Services Offered by R.I.D.P.

At the operational level where the discussions concentrated on the services to offer, donors and K.I.B. compromised with respect to the following services to be offered by R.I.D.P.:

1. Advice, technical and managerial assistance to existing and future Kenyan rural entrepreneurs in the areas covered by R.I.D.C.s.
2. Financial assistance to such entrepreneurs.
3. Technical service facilities to existing and future Kenyan entrepreneurs in the said areas.
4. On-the-job training for entrepreneurs in the use of machinery necessary to operate a particular technology.
5. Engagement temporarily in production when necessary to demonstrate to Kenyan entrepreneurs the economic viability of an important new rural industry.
6. Identification of new rural industries and the preparation of pre-feasibility and feasibility studies for them.
7. Finding suitable entrepreneurs and seeing that they are prepared by training courses in training institutions.

8. Recommending the degree and method of financial participation by Kenya Government in each project.
9. Seeing that the projects, once started, progress as planned.

The services listed above were stipulated in the agreement between the Kenya Government and the government of Denmark, Denmark is financial sponsor for 3 of the R.I.D.C.s, Norway is financing the fourth. The two mentioned countries also provided the technical advisers attached to the present programme. Sweden, The Federal Republic of Germany and other donors however participate in the planned extension of R.I.D.P.

The services to be provided by R.I.D.P. with a few exceptions represent the technological concept of extension service. Aid to develop entrepreneurial skills was strongly emphasised.

A Trial-and-Error Basis

The programme management and the staff of the R.I.D.C.s have made a concerted effort to establish the services agreed upon over the past two years - given the limited resources available to run the programme. Since the technological concept of extension service almost by definition means that much time and many resources will have to be vested in each individual client assisted, the question of how to select clients for extension service became imminent once the centers were manned.

Should already established rural entrepreneurs have a priority or should the centers rather try to assist new ventures? What type and scale of producers should be the main targets for assistance? Ubiquities like craftsmen in woodworking and sheetmetal for which the centers were fit in terms of technical staff and equipment? Or more diversified productions? Should the clients mainly fit the centers in terms of technological development i.e. modern small factories producing for the market in an industrial manner? Or should it be attempted to adapt the centers to the craftsmen at rural market-places?

Since the programme was to deal with small rural industries, what was small and what rural? And since one of the objectives not imbedded in the above mentioned questions was to create employment, how should feasible capital-labour ratios be established?

None of these questions were answered at the onset and the majority of them are still pending - for good reasons, because a more than arbitrary answer in most of the cases does presuppose assumptions as to the nature of problems to be solved. But assumptions based on economic analysis since the programme deals with economic problems. Such analysis was not included in the preparations of R.I.D.P. This also explains why it became so difficult to formulate policies for the questions raised.

R.I.D.P. and its staff was therefore forced to work on a trial-and-error basis from the beginning.

ASSISTANCE RENDERED BY THE R.I.D.C.s

Selection of Clients

During the first year of operation the R.I.D.C.s mainly tried to recruit clients among already established craftsmen or workshops engaged in woodwork and sheetmetal. The clients typically produced consumer goods as furniture, jikos, water-basins and other household-utensils or were dealing with various repair of automobiles and bicycles. Woodcarvers and sawmills also listed as clients. The client workshops were small with less than 10 employed and the whole structure of their production could be labelled "rural" even if nearly half of the clients were located in the center towns or nearby.

With certain modifications it must therefore be said that the principle of "reaching out" was adhered to with the given amount of resources available. In the particular case criteria as expected viability, interest expressed to try the assistance programme offered or even more pragmatic judgements have been applied to select the clients. Scale of production in terms of capital or employed did not enter the process of

selection seriously since most of the trades dealt with were characterized by smallness. Nor did the question of capital-labour ratio since most of those trades could be labelled labour-intensive.

Different Categories of Assistance

In 1973 a total number of 485 clients was registered in the R.I.D.P. In 1974 the number gradually increased from 501 to 597. On average R.I.D.P. has had 543 clients during 1974 or 30% more than in the first year of full operation. A center would thus have had a pool of 135 clients. The number of clients actually assisted by the programme is however much less than the number registered. In 1973 a total of 205 or 42% received assistance in a form or another. In 1974 this figure has increased to 328 or 60%. For the subject under review here it is however necessary to look at the various forms of assistance given. Measured in assistance hours the services rendered by R.I.D.P. during the first two years of operation may be summarized as follows:

Table 1: Assistance Rendered by R.I.D.P. 1973 and 1974
(Hours of assistance by quarter and category)

	1973				1974				Total
	1	2	3	4	1	2	3	4	
Free Field Ass.	586	1050	1221	951	808	538	540	308	6376
Free Center Ass.	408	872	972	667	3224	1088	1892	2768	11891
Charged Ass.	277	996	1710	648	1328	1728	1652	2772	11111
Total Ass.	1271	2918	3903	2260	5360	3648	4084	5928	29378

Free field assistance (F.F.A.): covers what is normally accepted as extension service, i.e. assistance rendered to the client at his place of work. Among other items data collection, bookkeeping and price calculation, demonstrations and on-the-job training is included.

Free center assistance (F.C.A.): covers center staff's work on individual client problems at the R.I.D.C. excluding work for the client in center workshops, but including staff contribution to courses held at the center for clients. This category typically includes technical and managerial consultations, project preparation, demonstration work and as said courses.

Charged assistance (C.A.): includes clients' use of center machinery and operators for commercial production or repair of tools. If clients use center workshops for commercial purposes without applying machines but using handtools; nothing is charged however and this form of assistance has not even been recorded.

The Changed Composition of Assistance

With some limitations because of different principles involved in the collection of data, the table reveals that the services rendered by R.I.D.P. has steadily increased over the two years of operation. Following the figures from quarter to quarter it will however also be seen that the composition of the activities have been changing markedly. The share of free field assistance has declined from some 30 to 40% in 1973 to 10 or 15% in 1974. But also in absolute terms the extension service in a narrow sense has gone down. This tendency appears to be the same for all four centers, even for the Machakos R.I.D.C. which has otherwise been devoting itself to a systematic "reach out" policy in a concerted effort to develop an extension service programme including standard work plans for the services.

R.I.D.P. thus seems to have gone through a process of change which may be due to the "dual nature" of the programme i.e. its equipment and staffing for fieldbased as well as centerbased activities.

The change may however also be a response from both center staff and clients to the experiences gained over the past two years. To throw more light on this question which is strictly relevant to the subject under review, the experience from R.I.D.C. Machakos will be summarized below.

THE MACHAKOS CASE STUDY OF EXTENSION SERVICE

The Standard Work Plan

At the Programme Conference held in September 1973 it was decided to introduce standard working plans for each individual client to be assisted by the centers. The plan should be based on an analysis of the client's major problems and from there a "tailored assistance programme should be designed as an offer to the client. The plan would thus stipulate the quality and quantity of services to be rendered, the expected results and the termination of assistance. The introduction of standard working plans was the first step towards an operational plan for the activities of R.I.D.P. including targets and norms for services offered by the R.I.D.C.s - to end the pure trial-and-error approach.

The Machakos R.I.D.C. went on to develop its working plan on the agreed terms. The S.W.P. resulting is attached to this report as appendix 1.

From 1973 the S.W.P. became the basis for extension services rendered to individual clients by R.I.D.C. Machakos. The center however kept records of its work with clients prior to the introduction of the standard workplan, and published a comprehensive study of the extension services rendered and the responses from clients covering the period from autumn 1972 to the spring of 1974. Data from this study (5) is presented below however supplemented with calculations at the author's risk.

The study includes 33 clients which is about a third of the clients registered with the center on an average. The proportion corresponds rather well to number of clients who receive a substantial assistance from the R.I.D.P. A third of the total number of clients receives the bulk of total assistance hours.

(5) D.A. Mdebe & K. Geols: On Extension Service R.I.D.C. Machakos, April 1974, Machakos.

The Assistance Rendered

The Machakos study includes assistance given at clients' workplaces (free field assistance) as well as the same clients' calls at the center for consultation (free center assistance).

On an average the 33 clients were visited (F.F.A.) 11 times over the 1½ year under review and called upon the center 17 times (F.C.A.). The assistance programme under review thus represents a total number of 363 visits and 561 calls. Converted to a yearly basis the figures come out as 241 and 373 respectively, which is somewhat more than for the R.I.D.P. as a whole on an average center basis. In 1974 a center on an average rendered 210 visits and had 162 calls.

Based on the center records a visit represents 5.3 man-hours and a call 4.9 man-hours. A man or assistance hour may be calculated in cost terms from appendix 2. In direct costs F.F.A. (visits) represents Shs. 60.22 per hour and F.C.A. (calls) Shs. 28.49 per hour. In total the programme under review thus amounts to some 4673 assistance hours at a cost of 194,173 Shs.

Recalculated to an yearly basis the Machakos programme represents more visits (F.F.A.) and less calls (F.C.A.) than the average for 1974. Table 2 below illustrates the difference.

Table 2: F.F.A. and F.C.A. by Center Average Compared with R.I.D.P. Machakos Case Study

	<u>Average Center (1974)</u>		<u>Machakos Case (yearly basis)</u>	
	<u>Hours</u>	<u>Costs</u>	<u>Hours</u>	<u>Costs</u>
F.F.A.	642	38661	1283	77262
F.C.A.	2243	63905	1833	52222
Total	2885	102566	3126	129484

The Machakos case thus clearly yields a comprehensive set of data regarding extension service over a period long enough to assess the responses to it.

The 33 clients did not receive the same amount of assistance. In table 3 the clients have been ranked according to the assistance rendered. The least intensively serviced third is included in the first line. The two more intensively serviced thirds follow in the second and third lines.

Table 3: 33 Clients Serviced by R.I.D.P. Machakos Ranked According to Assistance Received

	<u>No. of clients</u>	<u>Average no. of visits</u>	<u>Average no. of calls</u>	<u>Costs involved in average per client</u>
Clients:				
1 - 11	11	7	5	2993, -
12 - 22	11	13	11	6451, -
23 - 33	11	14	35	11973, -
Totals	33	11	17	(x)7139, -

(x) There is a difference between the total costs of the programme quoted above and the $7139 \times 33 = 235,587, -$ due to the necessity to increase costs for clients who stayed permanently in the center - workshops during the period under review.

The Costs of Extension Service

With some reservation the table may be used to illustrate the intensity and costs of extension services rendered under the R.I.D.P. The reservations are mainly that the Machakos R.I.D.C. has been more systematically combining F.P.A. and P.C.A. towards the same group of clients than other centers, and that the case has a clear bias of F.P.A. in relation to P.C.A. The Machakos clients however are typically engaged in those crafts for which the centers were equipped and staffed. The 33 clients include 13 wood workers (workshops), 12 metal workers, 5 repair shops for automobiles or bicycles, 2 block makers and 1 leather workshop. They do also to a larger extent represent the rural small scale entrepreneurs for whom the programme was ideally designed. 17 or slightly more than half of the 33 clients are located more than 1 hour's drive away from the center. 7 of the clients work in locations more than 4 hours drive from Machakos.

With the reservations above in mind it could thus be said that the average client of R.I.D.P. who accepts and receives a substantial assistance (about a third of all clients registered) accounts for 142 assistance hours at an estimated total cost of 7100 Shs. in a combination of free field assistance and free center assistance. There is however a spread so that roughly 10% of the total number of clients registered have received as much as 250 assistance hours representing a cost of about 12000 Shs. Now, as it may be revealed from appendix 2, the cost calculation is a debatable matter. If the total operational costs of the R.I.D.P. are distributed on the three main categories of assistance; free field assistance, free center assistance and charged assistance, the cost per hour of services will be considerably higher than the unit-costs used in tables 2 and 3 namely 182.70 Shs., 91.28 and 110.76 respectively corresponding to an average for all forms of assistance of 111.29 Shs.

It may however be argued that only direct costs i.e. those that may be referred directly to the service in question should be applied, leaving the rest at "overheads". In the above case direct costs were used as a basis for the distribution mainly from an "opportunity cost" consideration. The resources used for a particular service are thus approximately those which could have been switched to some other purpose.

On the other hand the costs shown in table 3, may be said to underestimate the expenses related to the different forms of assistance from a public finance point of view.

Especially when looking at the free field assistance (visits) the question of transport should also be mentioned. On an average 42% of all assistance hours in this category is being spent on transport to and from clients' work-places. The average figure of costs per client conceals this fact. As it may be seen from appendix 3, a visit to a client located in the center town may be as little (in relative terms) as 187 Shs. while the costs of visiting one located 4 hours drive away (2 hours either way) may be as much as 428 Shs. To that extent the centers deal with widely scattered clients

the time and cost consuming nature of the "reach out" approach becomes evident.

The Response from Clients

The pattern of response from the 33 clients of the case is summarized in appendix 4. A notice of warning should however accompany this summary from the very beginning. Whereas the assistance hours and the costs related to them do represent the "inputs" of the programme, the responses from clients to the assistance rendered do not necessarily represent the real "out-puts" in terms of changes in the clients business behaviour, or even in terms of increasing production, improved business, more employment or diversification of the economic structure.

The casual relationships between "inputs" and "outputs" do not easily lend themselves to precise measurements. Improvements of a client's business may be due to the assistance given to him, but may also be a result of circumstances related to his economic environment. For example changes of the competitiveness of other producers or products to his benefit. What is summarized in appendix 4 are the observable reactions from the clients.

Of the 33 clients approached and actually serviced 12 did not respond to the suggestions made by the center extension staff. The non respondents represent 33% of the visits and calls. As will be seen from appendix 4 their composition by trade does not differ markedly from the rest, except that 3 of the 5 repair workshops were among them.

The 21 clients who responded positively to the center's assistance programme or part of it did so in a highly selective manner. 10 of them accepted one or two of the suggestions made to them, while 9 accepted 3 to 4 and only two took the entire "package" offered by the standard working programme. The number of responses may be seen from table 4.

Table 4: The Number of Responses to Assistance Offered among 21 Clients of R.I.D.C. Machakos

<u>Assistance offered</u>	<u>Number of Responses</u>
<u>Production:</u>	
New product introduced	12
Workshop lay-out improved	6
Production techn./process improved	4
New tool introduced	4
<u>Management/Marketing</u>	
Bookkeeping introduced	12
Price calculation introduced	4
Participation in center demonstrations	4
Marketing assistance accepted (given)	3
Sales technique improved	2
<u>Loans</u>	
Loans requested by client or suggested by center	19
Loan obtained	5
<u>Use of Center Workshops/Bulk Purchase</u>	10 - 15

There is common feature among respondents and non-respondents. They prefer hard cash assistance and do not take general or "abstract" advices. It is a commonplace in Kenya that small businessmen always want a loan. It is however surprising that some of those approached in the Machakos case either rejected to be prepared for a loan or even did not take it when approved by the Loans Committee for a loan. The frequencies of the table otherwise indicate what the clients consider hard assistance i.e. assistance yielding a "substance" to speak with the Machakos report (5).

In its own evaluation of the respondents and non-respondents the center stresses this point very much; that to be accepted, an assistance programme must necessarily reflect the priorities or needs expressed by those who should benefit from the assistance.

(5) Machakos Report.

To be more specific the analysis of responses and non-responses to the assistance programme offered seems to reveal that on the client side the assistance "package" has not been accepted as such. On the center side it is however an experience that unless a "package" is offered on a "take it or leave it" basis (5) the programme is wasting its resources and loses its possibilities for a planned approach to extension service, which in the end is a precondition for the allocation of manpower and money in a more than haphazard way. The problem thus seems to be what this package should be looking like and to whom it should be offered? From a cost point of view it is intolerable that 33% of those assisted and as many resources vested in them have no response. This becomes even more clear if the planned expansion of R.I.D.P. to 21 centers is considered.

The Experience Gained

Squeezing the experience of the Machakos case it may be argued that it is or will be a risky affair to base the extension service on technical assistance to the already established small woodworker or metal workshop. The visiting technicians are considered a disturbance (5) among the more advanced clients and may be considered irrelevant to the rest. Unless they are working with the client for months or have a prepared and specific task as for example to make a tool.

More general aims such as improvements of products already in production or "clearance of the mess in the workshop" seem to give little reward - even if accepted by the client. New products may be introduced and this assistance is generally more accepted than other items, especially among the younger entrepreneurs. But then the problem of how to reach the market presents itself. The clients dealt with are typically producer-and-retailers, bounded to their location at the market place, "on the mainstream" of local consumers. They do not consider themselves industrialists who produce for an unknown market

(5) Machakos Report.

and do not have the resources to do so either.

On the management/marketing side it has been possible to introduce several items such as book-keeping and price or cost calculation. But follow-up studies seem to reveal that the introduction is not necessarily adoption. Book-keeping for example may be "a must" in an enterprise producing for the market and basing its production on internal division of labour. But is not necessarily a needed device in a craftsman's shop. Many small scale producers keep excellent records in their memory detailed enough to yield the information they need.

Both respondents and non-respondents had another feature in common. If located in a relatively easy distance of the center, they used center facilities i.e. the workshops for repair or production purposes. Many of those rejecting the assistance package as such however also continued to buy raw materials under the center's bulk-purchase programme. Unfortunately no exact records show how much the center facilities are being used except for charged assistance i.e. usage of machinery and operators/technicians. It may be estimated from the monthly reports of the centers that on an average 20-25 clients have had "jobs" done in the workshops per month for pay, but the total number of clients using the workshops is higher than that. In the Machakoe case 2 of the 33 were permanently located in the center workshops and operated from there but some other 10-12 indicated that they were using the workshops occasionally.

In summarizing the experience from the case it may be argued that the combined F.P.A. and F.C.A. programme represents a concerted effort to reach the typical small rural entrepreneur. A third of the center's normal "stock" of registered clients have been assisted and as much as two thirds of those approached have responded to some or another of the suggestions made by extension officers. Which corresponds to the average for the R.I.D.P. as such in 1973. It should then be kept in mind however that the response from clients have been highly selective reflecting the clients' priorities for hard assistance and therefore does not indicate that the center assistance programme has been accepted as a "parcel".

The figure of average assistance given conceals that the bulk of services rendered has been concentrated on a relatively small number of the 33 clients. The "upper third" shared more than half of the visits which in fact is less than the average for the R.I.D.P. as such. F.F.A. is normally more concentrated with the "upper third" taking as much as 75 - 85%. But the Machakos R.I.D.P. has deliberately tried to spread its extension service.

Calls or F.C.A. show a higher degree of concentration. The "upper third" shared 75% of the assistance given which corresponds to the average for R.I.D.P. 6 clients of the 33 however mastered the 66% alone.

With respect to charged assistance and the free use of center facilities the case study does not yield precise information. But it may be estimated that some 20 clients have been using the center facilities occasionally of which 4 to 6 clients share between 60 and 85% of the workshop hours. 2 of the 33 clients have been using the center as their own workshop. The usage of center workshops in Machakos does not differ significantly from the usage of center facilities under the R.I.D.P. as such. It should be emphasized here that if the hourly rate of using workshops (without machines) is estimated at 6 Shs. then a full year's stay represents about 6,500 Shs. in direct costs. The responses from clients do not differ markedly with respect to the intensity of the assistance given. There was roughly the same share of non-respondents among those visited more than 10 times as among those visited 8 times or less.

The R.I.D.C. Machakos concludes that in general it seems difficult to assist the established entrepreneur through a conventional extension service programme, and hardly possible to raise the general level of entrepreneurs and their employees (5). In terms of the objectives of R.I.D.P. i.e. increased production better and more diversified products and employment, the services rendered have shown little or no measurable results, except when the assistance was directed towards new ventures.

(5) Machakos Report.

The Machakos R.I.D.C. Recommendations

The study report recommends that direct and individual assistance to established workshops should be designed to yield more "substance" or hard assistance reflecting the priorities of the clients, and less "general business advice".

It also suggests a strict normative schedule to be followed not exceeding 6 - 8 visits, which would then in turn lower the extremely high costs involved in extension service to an average of 2 - 3000 Shs. compared with the average of 7100 Shs. in the case.

Moreover it is suggested that "clustered" or group assistance should be more widely applied. "Mini-estates" or "workshop clusters" centered around a generator and a few common facilities would benefit craftsmen at market places, and technical support to the establishment of Industrial Promotion Areas in townships or centers would likewise benefit the urban small scale industrialist. The I.P.A.s may however mainly be the responsibility of local councils however financially supported by the government.

This suggestion put forward by the R.I.D.C. Machakos a year ago seems to be a fruitful outcome of the experience with the extension service programme run by the center. Clustered assistance which offers sheds or workshops with the necessary facilities, power for example, at the locations where craftsmen are bounded to stay - namely the market places or trading centers - will certainly result in an improvement of the economic environment necessary to make any skill-formation approach worthwhile.

Finally, the study report recommends that more resources are being devoted to establish new small scale industries by shifting emphasis to project planning. This recommendation may be seen as a logic conclusion to the observation that it is difficult to change the industrial structure by supporting the traditional wood workers and metal workers. Diversification of the local economy seems to be dependent on systematical efforts to get new industries established. The Development Plan puts

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emphasis on the industries producing intermediate goods and means of production. Only a fraction of the established clients of the R.I.D.P. are in those lines.

THE MACHAKOS CASE IN R.I.D.P. PERSPECTIVE

How Valid are the Experiences for R.I.D.P.

How valid are the experiences from the Machakos case for the R.I.D.P. as an extension service programme? This question cannot be answered in full details because the data from some of the centers are incomplete. Information on the client response to assistance offered has not been collected by the 3 other centers in any systematic form, and there are also loopholes on the "input" side.

Nevertheless it goes to argue that the services rendered and the clients assisted by F.F.A. and F.C.A. are similar to those of Machakos. The proportion of free field assistance (F.F.A.) in relation to center based assistance varies however. The Nyeri and Dabu R.I.D.C.s have never been engaged in extension services to the same extent as Machakos and Kakamega. None of the three other centers have planned their field assistance in the same systematic way as it was done in Machakos, and the principle of "reaching out" was never tried to the same extent.

Responses from clients observed by Hans Kristensen in the I.D.R. 1974 evaluation report (1) show the very same pattern as observed in the Machakos case with respect to extension services rendered. Follow up studies during the second half of 1974 do not change the main lines either. But what is important here to note is that the R.I.D.P. as such has been markedly less concerned with F.F.A. in relation to the previous year as it was seen from table 1. And this shift may indicate that the experiences drawn from the Machakos case also, though less articulated have influenced the activity patterns of the other R.I.D.C.s.

(1) The R.I.D.P. Evaluation Reports.

Are the Problems of Assistance Internal?

It could however be hypothesized that the contraction of free field assistance could also be a result of inefficiency so to say. The 1974 evaluation report in fact dealt with major deficiencies in the internal organization of R.I.D.P. For example that the K.I.E. management and therefore the R.I.D.P. did concentrate on a strict financial control of the centers without a real engagement in the activities to be coined out at the implementation level.

This situation has not changed much. R.I.D.P. is not run as an economic development programme where policies, priorities and targets are based on an overall planning. The centers may within the financial framework they are given, run their own business, and to a large degree they do so.

Furthermore it may be argued that the centers are internalising their activities. Only 18% of the total work capacity of an average center can be related to direct assistance activity. Even among those who may be characterized as assistance officers i.e. the center manager, the advisers, engineers and technicians the percentage is as low as 48%, according to the center reports on assistance rendered in 1974. But as pointed out in the 1974 evaluation report the centers are probably also overstaffed with respect to supporting staff. Appendix 5 gives a specification of a typical staffing pyramid, and at least in terms of the expected extension of R.I.D.P. under the current Development Plan, an average of 15 to 16 employed per center seems to be fairly much.

Looking at the past two years of activity it could be of more importance for the assessment of the activities in relation to the objectives set for R.I.D.P. to notice, that there has been much less emphasis on the analysis of local needs and employment than on "viability" or other more "pragmatic" criteria in the selection of clients for assistance. But this certainly critical element of policy may to a large extent be a result of the laissez-faire policy in programming assistance which again has something to do with the previously mentioned "duality" of R.I.D.P.

The Extension Service Problems are External

The internal or administrative deficiencies of R.I.D.P. should not however be a platform for conclusions here. The Machakos case on the contrary seems to justify that the central problems of R.I.D.P. are external in the sense that the working conditions of the clients i.e. the typical small rural entrepreneur do not match with the approach to assistance imposed on the R.I.D.P. from the beginning. It was a more or less preconceived idea that the main problem to solve was the "up grading" of entrepreneurial skills among rural craftsmen and small industrialists. The responses from clients rather suggest however that changes in their economic and physical environment should be given priority.

The centers in their activities over the past year have already discounted this experience. Table 1 may also be seen as an adaption to the circumstances in which the assistance work has to take place therefore.

The shift from free field assistance as a major element of center activities to free center assistance and charged assistance may be analyzed in this context.

ASSISTANCE TO IMPROVE THE ECONOMIC ENVIRONMENT

The forms of assistance which differ from extension service in the traditional sense but nonetheless have been increasing over the two years of operation may be categorized as follows: Product development, introduction of new ventures, preparation of workshop clusters and "mini-estates", bulk-purchasing programmes and marketing schemes.

They have in common the quality of supporting groups of entrepreneurs rather than the individual enterprise, or in the case of new ventures the possibility of introducing new economic activities in the area served by the R.I.D.C.s.

It is not to be said here that these forms of assistance do represent a deliberate effort to overcome the "dualism" of R.I.D.P. In the author's interpretation they are rather the

combined result of experiences with the "skill formation" approach among assistance officers as well as among the clients.

It may also be premature to assess these mainly center-based activities as an alternative to the traditionally accepted concept of extension service. A brief summary of them however is presented to accommodate a platform for the recommendations put forward at the end of this report.

Product Development

Product development became a constituent part of R.I.D.P. in 1973, when it was decided to establish a product development unit at R.I.D.C. Machakos. Later a Product Development Committee was formed with representatives from the R.I.D.P. management and each of the four centers. The committee decides on the product development policy of the R.I.D.P. and is responsible for the introduction of new products developed by the centers and the unit. The emphasis is on the development and introduction of new products of appropriate, labour intensive manufacturing methods suitable for the rural industrial market, and the improvements of the qualities, functions and designs of goods already manufactured by rural industries.

Agricultural tools and implements and household goods used by the mass of Kenyan peasant families therefore should be in focus.

Over the past 1½ year about 20 new products have been developed and introduced to the clients of R.I.D.P. About half of these fall in the first mentioned group while the rest are goods like furniture and household appliances for the rural and urban (middle income) families.

All new products and production methods developed are offered to clients by all four centers, but one thing is to introduce a product, another is to get it into commercial production. Even if the assistance to start the production of a new product or line of production is being considered "hard assistance" by many clients, they also often find it difficult to introduce the products to their customers. There may be more than one reason for this. A wheelbarrow for example may not fit equally well into physical conditions or

agricultural working habits all over the country. And in some areas it may be considered too little advanced as a means of transporting products, fertilizers, etc. while in others very few would be able to buy one.

There may also after all be reluctance on the client's side therefore to make an effort to sell the product developed by the programme. It seems however that more systematic efforts will have to be done to combine the technical process of developing products with that of studying the relevant market segment in consultation with the local producers of similar products.

It has been planned to devote more resources to the product development unit, which in spite of decisions taken a year ago, has mainly been operated by one or two people. Unless the unit gets a staff sufficient to manage the above mentioned combination of tasks, it may be feared that product development will degenerate into transferring "funny" commodities from European mass markets for example, wooden toys and thus loose its fundamental purpose.

Introduction of New Ventures

Assistance to plan and get new industrial ventures off the ground was listed as one of R.I.D.P.'s duties from the beginning, and if the programme has contributed to a diversification of the industrial production of the areas served and to say the establishment of 200-250 work-places it is mainly because of this activity.

In 1974 some 38 projects were prepared which, if passed by the Loans Committees of the R.I.D.C.s or the K.I.E. Board are estimated to result in 350 work places and the issue of loans to an amount of 2.8 million Shs. From appendix 6 it may be seen that 1/3 of the projects deal with industries processing agricultural products, another third will produce various means of production while the last third could be characterized as consumer goods industries.

If the projects prepared is estimated to represent a total investment of 4 million Shs. then the capital-labour ratio seems to average some 11,000 Shs., which suggests that the new ventures prepared for, differ markedly from the craft industries assisted by free field service. As stated earlier the established rural craftsmen do mainly operate as woodworkers and metal workers producing furniture and household appliances plus a few agricultural tools. The new ventures in comparison do represent a diversification.

Secondly, if an average work place represents 11,000 Shs. this is more than double as much as the average for already established small workshops, which in fact indicates that the projects prepared will operate at a more advanced technological level. From these observations it may not be concluded that the new projects will have more industrial growth potential than the existing. This crucial question depends on the viability of the individual projects and maybe more so on how the projects will produce linkage affects in the local economy. An example will illustrate this point of view.

One of the projects prepared is a small scale sugar factory, sponsored by R.I.D.C. Kakamega. If materializing the factory will produce some 1000 tons of white sugar a year and provide some 100 work places. In addition it will make it possible for the neighbourhood farmers to sell their sugar cane at a much more profitable price, than if delivered to jageries (backward linkage). In turn that type of industries could foster machine building industries, since there is ample room for dozens of small scale sugar factories in sugar cane growing areas of Kenya. Moreover, the technology involved in producing the factories is available in the country (forward linkages). In addition this type of industry may be established with a very low import content and may also be completely controlled by Kenyan producers.

Other of the industries proposed may not have the same growth potential in direct and simple terms, but will contribute to increase the service level of the area in which they are supposed to be located. For example tyre retying or printing shops.

The important though subjective point to make here is, however, that the choice of new projects could be made deliberate in terms of an industrial development policy related to the needs and growth potential of the area concerned.

As things are now, viability of the individual project is the main criterion for the decision of whether to support a project proposal or not. The Loans Committee screening the project proposals do a proper work to see that non-viable projects are being rejected and even look at the employment effect. But no other criterion overshadows viability because policy issues as diversification of the local economy, employment or even import substitution have never been developed to strategies, from which priorities and targets could be set for the selection of new projects.

The prospectives of a proposed new venture in terms of success or failure of course must be essential for the decision of whether to support it or not. As more viable projects are forthcoming than the centers can handle, the managers and decision making Loans Committees however will need more criteria which are known to potential entrepreneurs. Otherwise they may easily run into problems being accused of favouritism or even nepotism, which again may seriously affect the credibility of the whole programme.

From an industrial development point of view, short term viability may also be a less important criterion than the assessment of the long term contribution of the projects to the diversification of the local economy. Especially if the objectives of the Development Plan are considered a mandatory framework for the assistance to be offered.

Basically underlying these arguments is the experience that direct assistance to single projects or a group of clients means state intervention in the market game.

Technical assistance to a farmer may not affect his neighbours market possibilities if there are ready buyers such as marketing boards for any quantity produced. But the industrial

market is different from the agricultural. It is limited for the individual product in a given area, and the different producers and traders filling the market will ultimately have to compete each other. Assistance to a single firm or a group of enterprises may therefore have an adverse effect on the competitive strength of the other parties catering for the same market. The "assisting one without harming his neighbours" assumption of agricultural extension work, therefore is highly debatable as a basis for industrial extension services.

To the extent that markets have already become competitive, the question of direct support to projects or existing firms becomes a volatile policy matter. Which may again force the assistance agency to take a defensive position against different pressure groups, with the loss of freedom to act and dwindling credibility as the consequence.

These viewpoints are not presented as arguments for abolishing direct assistance. On the contrary direct assistance is probably the only way to promote industrial development in rural areas of Kenya, and the assistance may have to be of a long lasting and intensive nature in order to contribute to an establishment of a physical and economic environment, in which an industrial tradition could gradually develop. But direct assistance inevitably means selection. Viability however does not fulfill the requirements for a set of criteria which enables the implementing bodies to act in a more than haphazard way.

Especially if the intended and planned expansion of the R.I.D.P. to a nationwide assistance programme is considered, it seems necessary that a policy is developed from which the selection of clients for direct assistance could be made.

This policy should include viability as a criterion for the assessment of the individual project. But the selection of the type of projects to assess should reflect a deliberate industrial development strategy, and therefore be made on the basis of well established priorities. It also seems that the

policy should be publicly discussed and that potential entrepreneurs must be well aware of the priorities agreed upon.

In this way the centers may not only embark on new ventures selected from pending applications, they could also be actively looking for entrepreneurs to set up priority industries.

As mentioned in the introduction the general objectives of R.I.D.P. conform to those of the Development Plan. Diversification of the rural or local economy, exploitation of local resources and employment are emphasized as the main objectives. The first steps towards a rural industrial development policy therefore have been taken. The Development Plan even goes a step further by stressing that priority should be given to industries producing intermediate and capital goods.

A national strategy which would enable the implementing assistance agencies to reach the objectives has not yet emerged however. Nor have targets been set in terms of productions to set up or employment to create. The R.I.D.P. has been left on its own to deal with this overall policy matter. As it appears from the preceding sections of this report, the policy question has been dealt with in a very "pragmatic" manner however. Projects forthcoming have been considered in order and assistance has been subject to anticipated viability and willingness on the client's side to adhere to the project preparation suggested by the center.

Invaluable experience has been gained by this, so to say open approach to the selection of projects. But from the reasons given above it may also be argued that the time has come to utilise the knowledge stored in a more systematic approach to the selection question.

With no overall national strategy from which the implementing agencies could develop their assistance policy, the process could be started from the "bottom". A regional industrial development policy could be based on analysis of the industrial market of the areas served by the R.I.D.C.s.

Priority projects could be identified from the needs expressed by the various consumer groups in the area. National and programme objectives could be respected, if in advance the principle of preference to industries producing intermediate and capital goods was adhered to, and secondly that new ventures were promoted that would not immediately compete with existing wood workers and metal workshops.

The basis of the approach should be the economic analysis of the present industrial market for the various categories of goods, capital goods and consumer goods, and the needs expressed by peasants and farmers, craftsmen and industrialists and households. The results of the analysis and the policy implications of it should be widely published by the implementing agency.

If overall preference was given to intermediate and capital goods a diversification of the local economy would anyway be the result, since most rural and urban areas in Kenya are poor in those productions. Moreover as it seems that since relatively few African entrepreneurs are being attracted by technical industries, there is a danger that mechanical services and general engineering vital for the productive basis of the area will disappear with the leaving non-citizens. It may therefore be suggested that industrial estates and workshop clusters supported by the programme provide an environment especially for repair shops, production of mechanical spareparts and general engineering workshops.

Industries processing agricultural products such as sugar, tea and sisal also would contribute to the diversification of the rural economy and at the same time provide employment in the rural areas if located in the countryside.

Following the concepts adopted here, crafts-industries already filling the market such as wood working and sheet metal working should be given a lower priority as targets for direct assistance.

The development of regional industrial assistance policies could be the first and most important tasks for the decentralized

organisation of K.I.D. announced by the management in 1974. The reorganisation means that in the future K.I.D. will operate through a system of Regional Industrial Estates with satellite R.I.D.C.s leaving the Head Office to take care of overall planning and supervision only. The integration of Estates and R.I.D.C.s in one but decentralized programme may preserve the flexibility of the present set up and thus make it possible to adapt the national objectives to the specific economic and social conditions of the region to be served by an Industrial Estate and its satellite R.I.D.C.s.

Workshop Clusters and "Mini Estates"

The needs for better, more safe and properly located shelter were pointed out in the 1973 as well as in the 1974 evaluation reports. It was even stated that many clients do not see the benefits of extension service unless a physical environment was available in which the fruits of training and demonstration could be digested with more substantial results than that of having had a nice entertainment.

It may be argued here that the provision of industrial sites and sheds is a matter to be solved by the administrative authorities. In view of the experience of the R.I.D.C.s it could however also be said that the provision of sheds in the form of workshop clusters under the R.I.D.P. might be a first step towards a solution of this pressing environmental problem.

As a reaction to clients' own preference for this kind of assistance the idea was discussed as early as in 1972. Clients interviewed about their business problems pointed out that cheap, but orderly constructed sheds arranged on a prepared site, located as near as possible to the market would benefit them more than extension services. Especially if the site was provided with access to power and water. Such workshop clusters could in fact replace the so-called "Harambee Avenues" of many townships in which craftsmen have been temporarily locating themselves in shacks.

Local authorities however did not favour the idea because they had started the planning of industrial areas outside the

commercial centers to shelter all industrial activity.

The majority of wood work, metalwork and repair shops in rural Kenya are not however industries in a town planning context. They are shops more than factories, demand little space, utilise light equipment and do not pollute. What is more important, they produce mainly on orders obtained from the general public. They work in the retail market and their viability is therefore dependent on easy access to the "mainstream" of customers visiting the market place and shopping center. In other words they belong to the ensemble of services customers would expect to find in a commercial center.

Industries in the proper sense of the word whether small or medium differ from the crafts. They mainly produce for the stock and subsequent whole selling and do not therefore demand any specific location in relation to the retail markets. They will fit into the planned industrial areas and industrial estates, or may locate at convenient places near the raw materials in the country side.

General solutions to this problem has not been found yet. In the meantime the R.I.D.P. however in response to the experiences with the dispersed extension service has introduced workshop clusters in various forms. The Machakos report referred to earlier (5) suggested that "mini R.I.D.C.s" and Industrial Promotion areas should be considered, and at the 1974 Programme Conference it was recommended to commence the gradual conversion of the existing R.I.D.C.s to industrial estates. The "mini R.I.D.C." should be introduced at market places or shopping centers as a nucleus for extension services to the craftsmen at that place. It would consist of a small unit with a power generating set and few "common facilities" run by a local fundi under contract with R.I.D.P. The investment should be kept at a level of 50,000 Shs. and operational costs should mainly be covered by fees from the usage of the facilities. The "mini R.I.D.C." could be the first step towards the establishment of an Industrial Promotion Area (I.P.A.) at

(5) Machakos Report.

places where the industrial market would justify it.

The I.P.A. is a planned workshop cluster run by the local authorities or the R.I.D.P. It will have the above mentioned facilities and preferably shelter new small industries. Sheds or workshops would be erected according to a standard lay-out either by the authority or as site-and-service schemes according to the conditions. Clients would be given a loan to build their sheds or to buy equipment. The total investment should be kept under 200,000 Shs. In appendix 7, the estimated costs of an I.P.A. are presented as well as the monthly rents of the various types of sheds or workshops to be rented by clients. I.P.A.s are being established in Machakos, Karatina and Manyatta.

Workshop clusters have been built or will be constructed in addition to the R.I.D.C.s in Embu, Kakamega and Nyeri as a first step to provide the industrial estate type of assistance to new industries. The workshops will be larger than in I.P.A.s, 500 sq. ft. against 150 sq.ft., and the industries to cater for will be having a sufficient technological level to exploit the R.I.D.C. technical staff and equipment.

Assistance to Purchasing and Selling

The experience over the past two years seems to reveal that the small scale entrepreneurs are facing severe constraints from their economic environment as well. The problems of obtaining raw materials and spareparts at competitive prices on the one side, and the difficulties of finding customers on the other are also listed by the clients as major obstacles.

To a certain extent these problems reflect some basic features of economic development in Kenya, and it may be argued that "odds" are against the rural craftsman in spite of a growing industrial market in the country. Where public assistance to overcome problems of the physical environment may alleviate the situation, it is more debatable whether direct assistance is a proper instrument to avert the consequences of ongoing changes of the market structure unfavourable to the

rural craftsman. On the supply side the urban craftsman and industries have much easier access to raw materials and spare-parts at considerably lower prices than the rural. Especially in Nairobi and Mombasa. Scrap materials which are the basis for the production of household utensils such as jikos, water basins and lamps, are easily obtainable from regular as well as irregular sources in the Nairobi area, but constitute a problem for the jiko-maker in rural areas where used oil drums and ranshackle car-bodies are scarce in supply. Many of the clients working in the metal trades therefore have to use a day or even two a week to get the materials needed from Nairobi or another urban place.

Timber is available in many places, but it may likewise be a problem to get seasoned boards.

On the demand or market side the dynamics of the rapidly increasing commercialization seem to constitute other problems for the rural craftsman. Their ability to capture a stable or increasing share of the growing industrial market is limited, because they have to compete with industrial goods produced in the metropolitan areas or imported commodities. Most market places in Kenya are easily accessible nowadays by roads. A well developed network of wholesalers and distributors may therefore ship their goods to any place where the purchasing power justifies an effort to sell.

A peasant household in the market for tools or household appliances may thus choose between a variety of different qualities at different prices, their ultimate choice depending on the amount they can spend and their preferences. If a jembe or a water-basin is to be bought, the choice may be between imported specimens, those produced in medium or large scale industries in Nairobi, those made by craftsmen in open air workshops in Nairobi or other big cities and the products of the local craftsman.

Case studies from 1974 tend to show that consumers prefer "urban goods" for local. If the money available is not enough for the aluminium water-basin, then the basin made from scrap

in Nairobi is often preferred for the locally made, especially since there is little or no price difference. Wholesalers may sell the Nairobi made products with until 100% profit to local market traders, who sell retail at the same prices as the local producers will take. This may be due to the differences in raw material prices and a higher level of organization for mass production in the open air industries in Nairobi.

A clear exception to this pattern seems to be the carpenters producing cheap beds, stools, tables and cupboards.

In other markets than the retail market the situation may not be much different. In construction whether private or public, the fundi has limited possibilities to be considered a supplier of steel window-frames and other elements because the construction market is highly organized, with the main contractor linked to his own suppliers of construction elements.

Public purchases (tenders) could be an important market for small scale producers, but as things are at present the purchasing agency tends to prefer large scale suppliers who are able to deliver standard qualities without much inspection needed to supervise the production.

These examples do not claim to be exhaustive, but they may demonstrate that the various markets for industrial goods in Kenya have reached a level of sophistication, where it is difficult for the rural craftsman to compete on either quality or price.

The R.I.D.C.s have however attempted to alleviate the situation for their clients through bulk-purchasing programmes and assistance to catch customers.

Bulk-purchasing of raw materials has been a systematic part of the assistance over the past year. Each center has at its disposal a revolving fund (30,000 Shs.) from which the purchase of timber, sheet metal, fittings, welding rods

and other common necessities may be financed. The goods are kept in stock and may be resold to clients according to a no-profit-no-loss principle. As no or little transport capacity is available, clients domiciled near the centers benefit at most from the programme. A turnover of some 330,000 Shs. materialised in 1974 with an outstanding amount of about 10% at the end of the year.

Marketing assistance has been given an increasing attention during 1974, and this form of assistance is now classified as a separate type of projects. The R.I.D.C.s do mainly assist their clients to introduce new products and doing so the emphasis has been on the tenders by public authorities.

The Loans Committees of the R.I.D.C.s include representatives of the various government agencies in the area served by the R.I.D.C.s. Whenever public purchases are forthcoming, it is being examined whether a client or a group of clients may be able to bid for a tender. If so the R.I.D.C. may assist the clients in the preparation of the tender. If the order is given to the clients, the R.I.D.C. may also assist the clients with raw materials on credit and other services against a nominal fee.

Some 25 to 30 clients were assisted in this way during 1974 but the number is increasing. In the last 3 months of the year 13 clients were assisted to obtain sales to the amount of 52,000 Shs.

CONCLUSIONS AND RECOMMENDATIONS

In the introduction to this report it was said that the purpose of it was to assess R.I.D.P. as an extension service programme. A rather restricted definition was applied at the onset assuming that the approach to the assistance of small rural businesses was technological in nature. It means that the original parents of the programme believed that the lack of technical and managerial skills of the entrepreneur was the main problem to deal with, and that skill formation in this sense could be improved by individual, direct field assistance.

For the purpose of the recommendations to follow below, other forms of assistance offered by the R.I.D.C.s were then introduced. Whether they are extension or not is a matter of definition. They represent however an attempt to improve the physical and economical conditions of the enterprises. It was also suggested that the approach rather than technological, could be environmental, assuming that the problems to deal with first were those resulting from poor physical and economic conditions.

The conclusions should be seen in this context. Furthermore, it may be added that a distinction has been made between direct assistance and indirect assistance. The former includes services rendered a single enterprise or a group of businesses by the assistance agency. The latter is benefits offered all small rural businesses through legislation and other measures taken at the governmental level, to improve their conditions.

Extension Service to Existing Rural Craftsmen

The majority of clients served by R.I.D.C. operate small workshops in wood or metal working trades. The furniture maker and the sheetmetal worker are typical examples. Some 600 craftsmen or workshops have registered as clients under R.I.D.P. during the past two years. 300 to 400 have received assistance in some or another form.

Direct assistance to individual craftsmen in the form of a "package" including "on-the-job-training" in the client's workshop does not seem to justify the expenses of this type of service. Intensive assistance, free of charge, over a period of 1 to 2 years has not yielded many results in terms of increased production, improved quality, diversification of production or employment. Direct costs averaging 7,000 Shs. per client given programmed free field assistance (F.F.A.) reveal the expensive nature of this service. Limited resources available in terms of qualified staff and funds also by definition restricts the number of enterprises that could be assisted in this way.

Direct assistance to a group or cluster basis seems to be a more promising alternative both in terms of response from clients and assistance economy. Bulk-purchase programmes and assistance to obtain orders (tenders for example) have been well responded to and may be administered on a no-loss-no-profit basis in the future. Assistance to provide sheds/workshops in various kinds of workshop clusters is still in an embryonic stage of development, but reflects a high priority requirement expressed by many clients. Product development and the subsequent introduction of new products to clients who have expressed their interest has produced some results. More resources must however be allocated to combine the technical side of product development with the needs of the rural communities. Most craftsmen produce for local, rural households and product development must therefore be geared to improve the supply of agricultural tools, household utensils, construction elements or repair services.

The use of center facilities presents a problem. A small number of clients have been using the center workshops for their own production over extended periods free of charge and have paid only nominal fees if in addition center machines and operators were used as well. A somewhat larger number of clients have called upon the centers occasionally for special operations demanding machines and technical assistance. In general however the investment in machinery and equipment to well over 1 million Shs. has not been founded in subsequent utilization.

Training courses not mentioned in the foregoing sections of the report have gained some interest among clients. This field will however be dealt with in a special report to come later, and it should only be noted here that classroom and workshop training programmes, which aim at solving concrete problems emerging from the clients daily work situation are much more efficient, than general courses demanding "academic" or abstract approach to technical or managerial aspects of business activity.

Reviewing the different forms of assistance rendered over the past two years it is the author's firm opinion that the R.I.D.C.s have managed to adapt themselves to the working situation they are facing. The reduction of free field assistance to less than 10% of the total assistance hours seems to reflect the experience that center based services on a group or cluster basis produce more results at less costs than extension service at clients workshops. In this sense the laissez-faire policy of the programme management has contributed to obtain invaluable information about the effects of the forms of assistance tried out, which might not have been possible under a more strict bureaucratic organisation.

The experience now available has been obtained at a total cost of 2,5 to 3,0 million Shs. in operating costs over the two years of operation, and this amount may well be considered a necessary input to the planning of the expansion of support to small businesses in Kenya.

On the other hand it may also be argued, that time has come to review the assistance policy at the government as well as the programme levels using the experience gained.

Considerable resources will be allocated to the expansion of R.I.D.P. as the number of R.I.D.C.s will be increased by 17 or even 18 over the next few years. The establishment of a national body known as Small Business Development Agency has also been decided upon, to coordinate the activities of the various assistance agencies at the programme levels. The planned expansion of the R.I.D.P. represents an investment of a further 25 - 30 million Shs. mainly donor financed, but also means an additional 8 to 9 million Shs. in operational costs per year which have to be borne by Kenyan taxpayers.

To the extent the findings here are generally valid it may be asked whether direct individual assistance to small existing rural enterprises is the most appropriate way to support their business? The question put here is not whether the rural craftsman should be given state support or not, but how.

If the problems of the rural craftsman are environmental more than technological in the first instance, then it may be suggested that the assistance should be reoriented in order to alleviate the physical and economic conditions of the rural workshop, and in the second stage consider the needs for skill formation. Skill formation programmes such as "on-the-job-training" will seemingly not produce results if there is no or little motivation on the client's side to accept them. It is the impression that the rural craftsman does know his problems as well as an extension officer, and that the poor responses to "package" assistance programmes indicate that the free field assistance to upgrade his skills does not meet his priorities.

On the other hand it may also be argued that the rural workshops located at market places all over Kenya will be in an increasingly difficult market position as the commercialisation of the economy is progressing. As the purchasing power is mounting as a result of increasing productivity in agriculture, the rural industrial market will grow. At present furniture making is a good business and the rural carpenter knows how to satisfy the demand.

The market for jikos, waterbasins and other household articles and agricultural tools is also increasing. But here the rural workshop is facing an increasing competition from products similar to their own, but produced by open air industries in Nairobi and distributed by wholesalers upcountry, or from large scale industrial products preferred by customers as a result of changing consumer habits.

Government intervention may contribute to halt or delay the deterioration of the business conditions of the rural workshops. But it seems that concessions of various kinds combined with a deliberate attempt to improve the working conditions at market places such as workshop clusters suggested in the Machakos report referred to, would be more appropriate than extension service in the narrow sense of the term.

A question poses itself here. Is this kind of assistance a task for R.I.D.P.? Or should environmental services to the rural workshops rather be given as an integral part of district development programmes? The rural craftsman is as dependent on his shamba as on his workshop, and an integrated approach to the problems of the rural community as such may yield more results and a "sectoral" programme.

Direct Assistance to New Industries

The existing R.I.D.C.s have been giving increasingly more attention to the establishment of new industries in the areas they are serving. As argued in the preceding section of this report this development is seen as a healthy sign of adaptation to the working conditions of the centers. The technological level of center equipment and staff does in fact fit them for the planning and sponsorship of small or medium modern industries. Whether these would grow from rural workshops or are being established from scratch, does not matter here. Some 40 projects have emerged from both sources during 1974, and these projects represent a diversification of the industrial sector. It is the author's opinion that the tendency to concentrate on the establishment of new industries should be acknowledged and supported. But it is also the firm opinion, that the selection of industries to sponsor should be based on a real analysis of the industrial markets in the areas served, i.e. the needs of different consumer groups. The assistance to the promotion of new industries would also be much more relevant to the national objectives stipulated in the Development Plan, if it was based on priorities regarding the types of industries to sponsor.

The principle of lining projects in order and selection according to viability does not seem to be satisfactory in the long run. Much more emphasis should be given to the planning of a regional industrial development policy for the areas served. There are many possibilities to develop agricultural processing industries and service industries of general mechanical engineering type. The last mentioned category could be seen as a "key factor" for the development of other industries and the modernisation of agriculture. As non-citizens

are leaving this sector, it seems however also that a concerted effort is necessary to maintain the service level in mechanical workshops providing repair of machinery and equipment, and to support the establishment of a local production of capital and intermediate goods, necessary for the development of a national Kenyan industrial structure.

Since relatively few Kenyan entrepreneurs have so far been interested in the "technicalities" it may be argued that K.I.E. and the R.I.D.P. should make a special effort to promote capital goods production under a combined Estate and Rural Industrial Development Programme.

Recommendations

The Existing R.I.D.C.s

1. The Machakos recommendations regarding Free Field Assistance and Free Center Assistance should be discussed at the programme level again. For this purpose the pool of clients could be grouped in: (a) those who may benefit from direct, individual assistance, (b) those for which some kind of grouped assistance, for example, bulk purchase programmes or workshop clusters, would seem to be more appropriate, and (c) those who cannot be assisted directly. Group (a) should not only be defined on criteria as viability and "willingness" to accept center suggestions, but also reflect a policy and therefore;
2. It is suggested that a new Programme Conference should be held in October 1975 to discuss and decide on: (a) priorities for direct, individual assistance to already established enterprises and new ventures, (b) principles for the selection of clients and norms for the assistance work, (c) targets for the existing four centers regarding the type and number of new ventures to sponsor and targets for the achievements to be obtained from ongoing assistance to already established rural workshop. The conference should be convened by the General Manager, K.I.E.

3. If so agreed upon, a public statement regarding the assistance policy should be disseminated for discussion in each of the center areas as one outcome of the conference.
4. The R.I.D.C.s should review their current expenses or operational costs as a first step towards a planned approach to future activities to be discussed at the 3rd Programme Conference.

It has already been decided to convert Kakamega and Nyeri R.I.D.C.s to Industrial Estates. On the Kakamega campus the first series of workshops have been erected and leased to clients. The two centers should be requested to draft: (a) their views on the type of industries to be supported by the coming estate, and it is recommended here that projects to develop the local capacity to handle the demand for technical repair services, and spareparts are given priority together with agro-processing industries. (b) as a consequence thereof their proposals for the conversion of the R.I.D.C. to Industrial Estates in terms of staff requirements and other inputs. It may be suggested here that Nyeri as a center in a rapidly developing region should concentrate more on project assistance to new medium and small modern industries in the towns of the area, than on providing workshops at the center. In Kakamega the estate approach may be more important from the beginning.

Some 400,000 Shs. of the operating expenses of R.I.D.P. or 100,000 per center, may be considered "opportunity costs" which could be used otherwise. One of the three workshops could be converted to common facilities or T.S.C. jobs. The two other workshops may be leased to entrepreneurs. The machinery not needed for repair of tools (common facilities) may be sold. Gradual settling of extension services to wood and sheet metal-working clients may also reduce the need for the wood-working technician and some of the supporting staff.

see appendix 2.

5. The future status of Dabu and Machakos R.I.D.C.s has not been fully decided on, but the recommendations for Kakamega and Nyeri would seem to be appropriate for the two other centers as well. Moreover it may be suggested that Dabu R.I.D.C. which has been also functionally a part of the Special Rural Development Programme should attempt to consider the assistance to groups of rural craftsmen as an element of area development planning. Even if the experience with craftsmen co-operatives has not been as promising as originally anticipated, there may be some possibilities for the establishment of group purchasing and selling, if the products of a group of craftsmen were used as inputs in other development programmes. Especially if the group, for example, of carpenters were also assisted to erect a workshop cluster. Machakos R.I.D.C. has already developed a workshop cluster prototype. This center also dealt more systematically with extension work to established craftsmen than other R.I.D.C.s, and it may therefore be suggested that Machakos was requested to outline how group assistance to the planning of workshop clusters adjacent to market places could be standardized in terms of plot preparation, standard design of sheds or workshops and the necessary minimum of common facilities.
6. A decision was however also taken to establish a product development center at Machakos R.I.D.C.. Donor funds have been obtained for this purpose, but so far the K.I.E. management has been reluctant to push the idea into reality. The whole question of a product development policy is still open and since the expatriate adviser especially designated to deal with product development in Machakos is leaving Kenya in July, it is recommended that a committee is being formed to deal the matter. It should assess the products so far developed by the R.I.D.C.s in terms of the market for these products in rural communities, but more important, it should also produce a policy document on product development as a means to improve agricultural technology among Kenyan small farmers.

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The Programme Level

It may be argued that recommendations regarding the programme level i.e. K.I.E./R.I.D.P. are outside the scope of this report. But since the viewpoint is being held that the present R.I.D.C.s as well as the planned expansion of the center programme should be integrated with the Industrial Estates Programme, there may be some justification for the recommendations below.

The expensive nature of industrial promotion in rural Kenya must be stressed first of all. Hence also the necessity of economising the use of scarce manpower and funds. The proposed reorganization of K.I.E. opens a possibility to create a unified industrial promotion programme more efficient than the present two programmes, R.I.D.P. and the Industrial Estates Programme and less expensive. 6 new Industrial Estates have been announced in addition to the 3 existing. 5 of them are under construction or in a state of conversion from R.I.D.C.s 17 R.I.D.C.s of the present type have been planned for.

The proposed reorganization of K.I.E., the parent organization of both programmes, however aims at linking a number of "satellite" R.I.D.C.s to a particular Industrial Estate. The Estate in addition to its main function could serve its satellite R.I.D.C.s with technical and managerial expertise not available for the staffing of as much as 21 centers of the present type. An estate and its satellite R.I.D.C.s would form a regional industrial promotion system which could shelter industries selected from analysis of the industrial market in the region to be covered by the estate and its satellites and of the expressed needs of the various groups looking for local industrial service.

The different regions in Kenya are in different stages of economic development. The policy of the regional estate and its satellites should reflect this fact and therefore be given the full freedom and responsibility to adjust national priorities for industrial development to local conditions.

It is therefore recommended that:

1. The K.I.E. management produces a policy statement explaining the aims, policies and ways to implement the announced decentralisation and integration of the Industrial Estate Programme and the R.I.D.P.
2. Guidelines with respect to the division of responsibility and activities between the Head Office of K.I.E. and the proposed regional estate-satellite system are being outlined.
3. The future role of satellite - R.I.D.C.s is being defined at the programme level. As outlined in appendix 7, a satellite R.I.D.C. may be constructed at a much lower price than the present type of R.I.D.C.s and also run at a cost level which is a fraction of operational expenses experienced so far under the R.I.D.P.

The Government Level

In view of the experience gained over the past two years, it may be suggested that the Kenya Government could review the relative role of direct and indirect assistance to the different categories of small urban and rural non-farm enterprises. It seems that the experience from R.I.D.P., in itself suggest that indirect assistance in form of concessions to change the competitive position of the rural craftsman, and financial and technical assistance to improve his physical environment, may be more efficient than extension service in a narrow sense.

Direct assistance on the other hand is necessary to promote a diversification of industries at the provincial, district and location levels. A unified industrial promotion programme under an institution as K.I.E. may contribute substantially to this long term objective. It is however not likely that such a programme could be run at a no-profit-no-loss basis. The task of promoting a diversified rural industrial structure to emerge is one of a long lasting and expensive nature.

Appendix 1The Machakos Standard Working Plan**A. MARKETING**

1. Is the client able to supply to a local authority. If this is the case, a tender is worked out if possible (Factoring system).
2. Can the client be helped through descriptive material, if yes a leaflet is made.
3. Can the products of the client be sold through other channels, if yes, these channels are contacted.

B. PRODUCT QUALITY & DESIGN

1. The two most sold products are made in the Center. The client comes to the Center and makes the Products together with the technician.
2. At least two new products are introduced to the client.

C. PRODUCTION

1. If at all possible the workshop is cleared up and reorganized. Shall premises etc. be improved?
2. Should the client obtain raw materials through A.I.D.C.?
3. Atleast one jig or tool is introduced.
4. A list is made of tools and machines necessary to improve the production.
5. The client is shown what part of his production can be made better in the Center than in his own workshop.
6. General job training shall be given along with the above stated work. The employoe(s) most suitable for further education should be chosen.

7. Employer (or) employee(s) shall take part in a Demonstration Programme. Is there any possibility for further education of employees. (K.I.T.I. Nakuru I.T.C. Kisumu H.V.T.C. Nairobi).

D. PRODUCTION COSTS

1. Price calculation are made on the three most sold products. The client is taught how to calculate.

Calculation forms are introduced:

2. MANAGEMENT

1. Simple book-keeping is introduced not later than at the third visit to the client. One CASH-BOOK and ONE LEDGER is supplied through R.I.D.C. At every visit it is controlled that the books are used correctly. Can the client save up for his business?
2. Is the client suitable for a loan? If yes a project paper is worked out.
3. Does the client need short time loans (Factories)
4. Should the employer be taken on a book-keeping course or management course.
5. Can purchase of raw materials be re-organised to obtain better quality and (or) lower price. Can purchase take place together with other clients.

The Operating Expenses of
Rural Industrial Development Programme

The costs of running a programme like R.I.D.P. may be calculated in different ways, the one not necessarily being more correct than the other. For the purpose of this report three different ways of illustrating the operational costs have been attempted. The first table below is an attempt to calculate the total expenses of the 4 R.I.D.C.s and to distribute these expenses on the three forms of assistance, free field assistance (F.P.A.), free center assistance (F.C.A.), and charged assistance (C.A.). The data for this calculation have been collected from many sources and do not reflect the K.I.D. book-keeping. The idea however was to present a standard picture of full costs whether financed by donors or Kenya.

App. 2 Table 1:

Calculated Operational Expenses R.I.D.P.
in Shs. 1974 Basis

Assistance	Capital expenses	Salaries	Other oper. expenses	Total expenses	Assist. hours	Cost per hour of assist.
	(1)	(2)	(3)	(1)	(4)	
F.P.A. (5)	30,040	144,247	236,880	469,167	2568hrs.	182.70
F.C.A. "	154,540	433,575	180,380	818,995	8972 "	91.28
C.A. "	251,720	401,274	195,500	828,494	7430 "	110.76
TOTAL	474,500	1029,096	613,260	2116,656	19020 "	111.29

Sources: Quarterly reports R.I.D.C.s, budgets and statements, calculations

1. Capital expenses include 8% interest on investments including buildings, 2% depreciation on buildings, 10% depreciation on machines and 20% on cars.
2. Standardised to 15 employees per center according to appendix 5.
3. Actual expenses adjusted to averages.
4. Based on R.I.D.C. quarterly reports.
5. Expenses which may be referred to the three forms of assistance plus 1/3 of remaining overheads, minus Head Office expenses related to R.I.D.P.

The second table is an attempt to distribute direct assistance costs on the three forms of assistance. Based on the chart of accounts used by K.I.D.

App.2 Table 2

Calculated Direct Assistance Costs R.I.D.P.
in Shg.

Assistance	Capital expenses	Salaries	Other expenses	Total expenses	Assist. hours	Cost per hour of assist.
F.F.A.	16,900	41,663	96,000	154,643	2568	60.22
F.C.A.	76,460	139,180	40,000	255,640	8972	28.49
C.A.	153,640	115,498	54,640	323,778	7400	43.29

The costs that may not be referred to any of the forms of assistance could be considered "overheads". Direct assistance costs may be used to calculate the various opportunity costs. Table 3 is an attempt to calculate the amounts which may be disposed off otherwise if F.F.A. and clients' use of workshops for production purposes were terminated. Leaving F.C.A. and common facilities to be offered.

App. 2 Table 3

"Opportunity Costs" F.F.A. and Workshops. in Shg. R.I.D.P.

Capital expenses	(1)	96,400
Salaries	(2)	206,280
Other operational expenses	(3)	190,640
Total		493,320

- (1) Include lease of two of the three workshops and sales of the machines not needed to establish a common facility shop or T.S.C. in the third
- (2) Include dismissal or transfer of 4 technicians, 4 typists, 4 drivers and 4 messengers.
- (3) Savings on travel, fuel a.s.o.

Appendix 2

The Influence of Distance to Clients on Costs

41% of all assistance hours rendered under free field assistance are consumed as transport time. The average costs per hour of F.F.A. is Shs. 60,22 or 60 Shs. This amount includes capital expenditure, salaries and other operational expenses which may be referred to F.F.A.

Table 1 below may illustrate the influence of distance to the client's workshop on the average price of "a visit". It is assumed that the average visit lasts three hours.

App. 3 Table 1

Costs of a Visit Depending on Distance to Client

Distance to Client km.	Transport time involved	Visit hours	Total hours	Cost of visit
0 - 10	0	3	3	180.-
10 - 25	1	3	4	240.-
25 - 50	2	3	5	300.-
50 - 75	3	3	6	360.-
75 - 100	4	3	7	420.-

If these unit prices are applied on the Machakos R.I.D.C. cases, 33 clients, then the following results appear. There is not provided for multiple visits on one day in the table.

App.3 Table 2

Visiting the Machakos R.I.D.C. Clients, Distance and Costs

Distance in hours from center	Number of clients	Total number of visits to distance group	Costs	Costs per client
1	17	162	29,160	1715.-
2	6	86	20,640	3440.-
3	5	36	10,800	3600.-
4	5	34	12,240	4000.-
5	1	19	9,120	9120.-
7	3	28	16,000	5600.-

Appendix 4

The Machehou Case. Assistance to 33 Clients, their responses

Client no.	No. of V.*	of C.**	Calculated costs of assist.	<u>Response to center sugges. accepted</u>				
				Negative	1	2	3	4 or more
1	12	10	5,240.-	x				
2	12	27	3,780.-	x				
3	16	41	10,860.-				x	
4	5	84	13,360.-	x				
5	5	12	3,280.-	x				
6	10	59	11,460.-	x				
7	16	3	5,540.-	x				
8	14	10	5,880.-				x	
9	16	4	5,580.-			x		
10	20	12	8,080.-					x
11	12	8	4,960.-	x				
12	12	47	10,420.-	x				
13	5	20	4,400.-	x				
14	14	64	13,440.-		x			
15	10	0	3,200.-			x		
16	19	8	7,200.-		x			
17	14	3	4,900.-	x				
18	10	3	3,620.-	x				
19	27	8	9,760.-					x
20	8	3	2,980.-			x		
21	5	0	1,600.-				x	
22	22	6	7,880.-		x			
23	12	14	5,800.-					x
24	16	62	13,800.-				x	
25	4	0	1,280.-			x		
26	6	12	3,600.-		x			
27	p.i.c.*		10,900.-				x	
28	4	2	1,360.-					x
29	6	23	5,140.-				x	
30	11	14	5,480.-		x			
31	9	0	2,800.-	x				
32	p.i.c.**		10,900.-				x	
33	15	0	4,800.-			x		
TOTALS:	367	561	217,000.-	12	5	5	7	4

Key: V = Visits
C = Calls

p.i.c. = permanent in center

Appendix 5The Average Staff of a H.I.D.C.

R.I.D.C. manager	1
Engineer or advisor	1
Technicians	3
Cashier or bookkeeper	1
Storekeeper	1
Typist/receptionists	2
Drivers	2
Station hand	1
Messenger	1
Watchmen	2
Total average staff	15

Appendix 6New Projects Prepared by R.I.D.P. in 1974

The list below includes new ventures as well as expansion of existing enterprises. The projects listed are either under execution or are pending approval by the R.I.D.C. Loans Committee.

<u>Category of Project</u>	<u>Number of enterprises</u>	<u>Number of workplaces expected</u>
1. <u>Processing agricultural products</u> This category includes: Animal food, Leather tanning, Jaggery, Mills, saw-mills, white sugar production	12	164
2. <u>Producing agricultural implements</u>	1	7
3. <u>Producing other capital and intermediate goods</u> Includes garages, garage tools, metal work, tyre retreading, block-making, construction elements	13	76
4. <u>Consumer goods</u> This category includes bakery, furniture making, garments, dry-cleaning, leather-work, printing-presses, shirt-making and uniform-tailoring.	12	104

Appendix 7

The Workshop - Cluster

An attempt has been made to outline in principle the size and costs of a reduced R.I.D.C., mini-estate, industrial promotion area or whatever a basic workshop cluster may be named.

The example below is scheduled for 30 workshops or sheds plus common facilities and a basic extension and supporting staff, which should rather include people with practical experience than candidates with a high theoretical standing.

The workshop cluster could be constructed in advance as supposed in the example, but may also be a site-and-service scheme where the "authority" provides plot preparation including fencing and gate, common facilities and basic staff.

Capital Expenditure

Buildings

Common facilities:

Office 20 m ² (220 sq.ft.)	Shs. 300/m ²	Shs. 6,000.-
Workshop for repair of tools 40 m ²	"	Shs. 12,000.-
Store for raw materials 100 m ²	"	Shs. 30,000.-
Toilets and showers 20 m ²	"	Shs. 6,000.-
Workshops to be let to clients, each of 15 m ² (165 sq.ft.)	"	Shs. 135,000.-
30 workshops		

Buildings Shs. 109,000.-

Equipment (tools, office) Shs. 31,000.-

Total investment Shs. 220,000.-

Operating Expenses

Capital expenses

Depreciation buildings 5%	Shs. 9450.-
" equipment 10%	Shs. 3100.-
Interest of inv. capital 3%	Shs. 17600.-
	<u>Shs. 30150.-</u>

Staff

1	technical (general mechanics)	Shs. 24000.-
1	marketing officer	Shs. 24000.-
1	typist	Shs. 12000.-
1	storekeeper, purchase officer	Shs. 12000.-
1	watchman	Shs. 10000.-
		<hr/>
		Shs. 82000.-
	Other expenses (elect., P.M., Station)	Shs. 10000.-
		<hr/>
	Total operational expenses	Shs. 122150.-
		<hr/>

Rents and Fees

The workshop may be leased at commercial rates. If so the rent per year could be estimated at 9% of the capital invested in buildings i.e. 9% of 135000 Shs.

Shs. 12150.-

Fees for the use of workshop facilities for example 2000 hours a year at 6.-

Shs. 12000.-

Total income

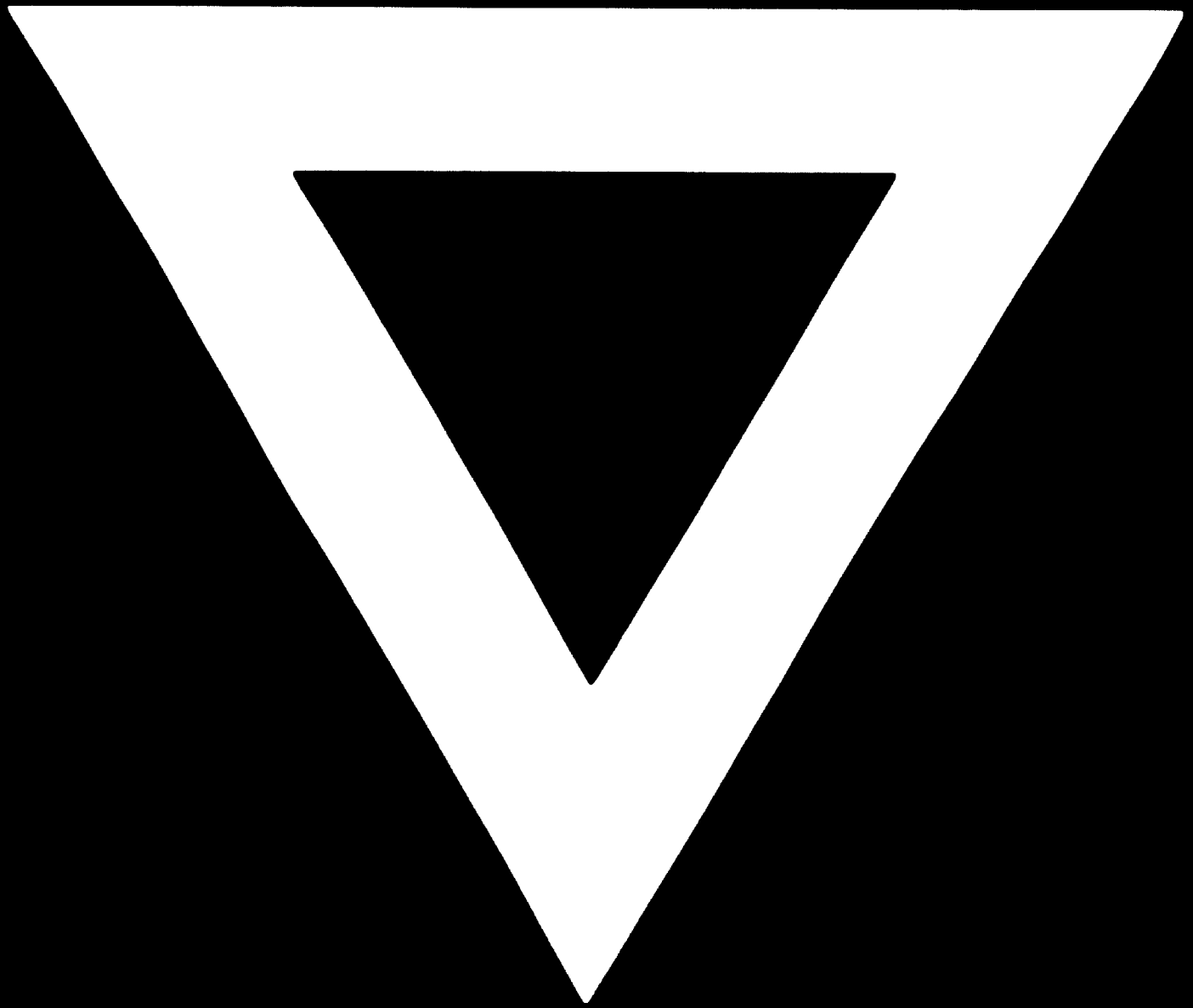
Shs. 24150.-

Net expenses per year

Shs. 98,000.-



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