Learning from business support in Africa

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Objectives: This paper aims to review the different approaches to providing support to entrepreneurs by business support organisations, originally created with similar objectives, in four African countries (Kenya, Uganda, Tanzania and Cameroon) in order to examine entrepreneurial heterogeneity in Africa and the importance, therefore, of ensuring local solutions to local problems.

Prior work: There are many arguments in the literature about whether entrepreneurship leads to economic growth or whether, in fact, economic growth encourages entrepreneurship. However, most commentators conclude that it doesn't matter, since small firms do create jobs and distribute wealth more equitably. They then make recommendations about what needs to be done, often based on a study in just one country, predicated on the assumption that what works in one country will work in another.

Approach: The methodology adopted was the undertaking of a review of the approach of each of the four business support organisations, including a stakeholder analysis with staff, board, clients, partners and sponsors.

Results: Although the four trusts were set up to achieve broadly similar objectives, all have followed a different path, yet all are being successful. There are, however, a number of common lessons. Inter alia, this paper argues that a more targeted approach is necessary.

Implications: The study will be relevant to policy makers, particularly in donors and multi-lateral institutions, considering how further to encourage and support small business development. It will be special interest to small business support organisations and other practitioners wanting to transfer lessons, many of which are as applicable to developed countries as they are to developing countries.

Value: The study is unique in using four business support organisations, in four countries, that have a common core sponsor and similar values, to make comparisons of entrepreneurial need and approach. The paper makes a contribution towards demonstrating that there is little homogeneity amongst entrepreneurs in Africa and that entrepreneurs therefore require assistance designed to meet their particular needs rather than a one size fits all approach.

Keywords: Africa, business support, entrepreneurship, SMEs,

1. Introduction

The report of the Commission for Africa (2005) opens with statements designed to shock everyone into action: "African poverty and stagnation is the greatest tragedy of our time. Poverty on such a scale demands a forceful response." Many of the recommendations, however, assume that Africa, and particularly African entrepreneurship, is homogeneous and that what will work for entrepreneurs in one country will work in another. It seems more likely, however, that rather than a one size fits all approach, entrepreneurs will be different, with different needs, and that in consequence different solutions, ideally developed locally, will be needed.

The Gatsby Charitable Foundation, one of the Sainsbury Family Charitable Trusts, initiated the launch of trusts in Kenya, Uganda, Tanzania and Cameroon. Despite their name, the Trusts are really business support organisations. They were all established in the 1990s to address two concerns. The first was that whilst large amounts of public sector aid was going to Africa, it was failing to foster economic growth; the second was that experienced Africans were often excluded from the decision making process. This led to the creation of four organisations whose objectives, broadly, were to promote and support self-employment, to provide loan finance to assist informal and micro-businesses and underpin grassroots economic activity.

There is no doubt that all four trusts are making an amazing contribution. Importantly, the thinking behind their creation, and the different ways that they have developed to address local need, provides an opportunity to review Africa's entrepreneurial heterogeneity and the successes that come through addressing local problems locally.

2. Literature review

The report of the Commission for Africa (2005) reports that "Africa is poor, ultimately, because its economy has not grown" and goes on to assert that "the public and private sectors need to work together to create a climate which unleashes the entrepreneurship of the peoples of Africa, generates employment and encourages individuals and firms, domestic and foreign, to invest". The report includes recommendations, inter alia, for rural development and slum upgrading with emphasis on agriculture and on helping small enterprises, and with a particular focus on women and young people. The report makes suggestions for ways in which Africa can help itself including making it easier to start new businesses. Whilst the proposed reforms all make sense, there is a danger in treating Africa as homogeneous. The same issues show up in many countries in Africa – and other parts of the world as well – but it is important that local solutions are found to solve local problems and it is particularly important that western consultants do not impose solutions but, rather, assist local populations to learn from elsewhere.

Balunywa (1998) asserts that "it is now generally agreed that small businesses are one of the key engines of growth in many developing countries by contributing to employment creation" though debate still rages whether that is in fact the case.

The World Bank (2004a), in common with other international donors, asserts that a vibrant private sector – with firms making investments, improving productivity and creating jobs – promotes economic growth and increases opportunities for poor people. Specifically, entrepreneurship is seen as one of the most important drivers of local economic development. However, the World Bank observes that, in some countries, SMEs have not made the difference that might have been expected: entrepreneurial activity remains limited, poverty high and growth stagnant. Where SMEs have performed well they have been highly beneficial and provided the stability and growth that has been so badly needed.

Perhaps this is because, as Balunywa argues, "micro and small businesses cannot grow or succeed unless they are entrepreneurial… effort must be placed on the development of entrepreneurial behaviour in small businesses if growth in Africa is to be achieved". He observes that many studies have looked in detail at problems, such as access to finance and lack of market information, faced by small businesses but that "little attention has been paid to entrepreneurship". He suggests that business failures are often ascribed to extraneous factors, such as public sector competition and political interference, but that in many cases failure may simply be down to lacking sufficient entrepreneurial ability. There are other factors as well: Kiggundu (2002) notes the importance to success of effective and dynamic organisational arrangements and suggests that African entrepreneurs experience serious difficulties in developing and sustaining effective organisational arrangements. He also notes the contribution of networks to business success and continuity, but observes the difficulties faced by African entrepreneurs in establishing and maintaining effective business networks. He suggests that the consequence is that African entrepreneurs manage risk and uncertainty by using an organisation structure he describes as an octopus where, instead of growing a single firm in a clearly defined line of business, the entrepreneur engages simultaneously in several unrelated (and generally therefore unsuccessful) businesses.

Certainly, development partners see supporting SMEs as an important part of their work and believe that assisting more firms to start and grow has an impact on economic growth and on poverty reduction. The Commission for Africa stresses that growth will drive down poverty more rapidly if poor people are better able to participate in society and the economy. They suggest that poverty reduction through growth requires a focus on indigenous private businesses. Developing country “poverty reduction strategy programmes” invariably include support for SMEs as one of their strands. That is why, over the last five years, the World Bank Group alone has approved more than $10 billion for SME support programmes. According to the World Bank website, “this pro-SME policy is based on the argument that, relative to larger firms, SMEs enhance competition, entrepreneurship, job growth and spur economy-wide efficiency, innovation, growth and poverty alleviation”.

Many people seem to accept that economic growth is closely associated with reductions in poverty (World Bank, 2004b). A pertinent question, then, is whether the creation and growth of SMEs leads to economic growth – or whether it is economic growth that spawns more SMEs.

Ayyagari and Beck (2003) have reviewed the contribution made by SMEs to economies in 76 countries and found that in low-income countries just 18 per cent of the population was employed by SMEs. It has to be noted, however, that they restricted their research to people for whom records exist and so only covered those employed by businesses in the formal sector. Even with their narrow sample, however, they did observe a link between the contribution to GDP by SMEs and national income – with 51 per cent of GDP being produced by SMEs in high income countries, 39 per cent in medium income countries and only 16 per cent in low income countries. The Commission for Africa has estimated that, at least in sub-Saharan Africa, the informal economy accounts for as much as 78 per cent of non-agricultural employment, 61 per cent of urban employment and 92 per cent of new jobs. So, taken as a whole, SMEs appear to be an important contributor to the economy.

Beck et al (2004) subsequently explored the relationship between the size of the SME sector, economic growth and poverty. Whilst they found a strong association between the importance of SMEs and growth in GDP per capita, they were unable to demonstrate that SMEs foster economic growth or reduce poverty.

Luetkenhorst (2004) questions Beck’s research design arguing that it does not provide a full picture and stressing that SMEs do play a critically important role. He quotes Hallberg (2000): “SMEs are the emerging private sector in poor countries, and thus form the base for private sector-led growth”. He goes on to quote the UN noting that, by and large, 80-90% of investments in developing countries are home grown (UN Commission on private sector development, 2004). So he promotes the view that supporting SMEs is important in terms of achieving economic growth. He argues that small businesses are a key agent of structural change, reducing marginalisation and achieving a more equitable income distribution. Entrepreneurship can give people a chance to emerge from poverty, but as anyone who has travelled round Africa will observe, most businesses are subsistence businesses. Running one’s own business brings people into productive economic activity and gives them a stake in the system; it gives them dignity and helps them to realise their potential. In countries without social security, the alternative may be stark.

SMEs face many challenges. But effective competition – the ability of firms to enter markets, to grow and to challenge incumbents on a reasonably equal playing field – is the key to progress.

To summarise:

- Economic growth is essential to reduce poverty;
- Entrepreneurship may not lead to economic growth but, in any event, economic growth leads to entrepreneurship and the creation of new businesses;
- New businesses create new jobs and are distributors of wealth;
- A key requirement is to provide support – mentoring, training, access to finance – to new and emerging businesses.

Much of the literature appears to assume, even for one country studies, that conclusions and recommendations can be applied to the whole of Africa. See, for example, Lake et al (2005).

One of the characteristics that does seem common to many countries is a culture of dependence, often right to the top. The British Government's aid budget to Tanzania, for example, is £120m or which £100m goes to budget support; it is estimated that 55 per cent of Tanzania's public expenditure comes from donors. Donors of course want to feel that they are making a difference, and want to transfer lessons from country to country, but perhaps the desire of NGOs and others to attract donor aid explains why they say to funders whatever they think that they want to hear in order to secure the money, rather than questioning the reasoning or being more proactive in making proposals to foundations, companies and others.

The argument presented in this paper is that African entrepreneurship is not homogeneous but rather that new and emerging businesses require different support depending on the local environment and local needs.

3. Methodology and approach

My remit was to work with all of the Trusts on a strategic review. Although the Trusts are encouraged regularly to review their strategy, and meet with each frequently to share ideas, this was the first time that an external facilitator had assisted them with their strategic thinking. The objective was to assist them in being rigorous in their review and, on occasion, to share learning from elsewhere, to encourage them to question, but not to impose any external view of what should be in their strategy. This gave me an excellent opportunity, therefore, to undertake research with all of the Trusts and then to help them understand the lessons and conclusions from that research. The objectives, at least in so far as they are relevant to this paper, were:

- Understanding how the Trusts defined their target audiences;
- Assessing how the Trusts set their objectives and how they measured success; and,
- Understanding how the Trusts evaluated their projects and programmes and how they prioritised their limited resources.

A similar approach was taken with each Trust:

- I read and reviewed strategy plans, business plans, annual reports, financial reports etc from each of the trusts;
- I visited each of the trusts – to meet with trustees, staff, clients, partners, funders and interested observers and, particularly, to undertake a stakeholder analysis (which formed the major part of the work and offered an opportunity to explore external perceptions, as well as internal perceptions, of strengths and weaknesses and, though to a lesser extent, to identify opportunities and threats);
- I assessed, in so far as it was possible, impact and financial sustainability
- I prepared a summary of what I learned at each Trust and fed this back to the CEO – partly to ensure that I had not misunderstood or misconstrued what I had learned, but mainly as a way of immediately sharing my observations. I also prepared a summary drawing together common conclusions which I shared with all the Trusts.
- The four general managers, a trustee from each trust, an observer and I met in Nairobi to subject my conclusions and their draft strategies to peer group review.

As noted earlier, for the trusts the review was part of their own strategic review process, so I was also available to comment on successive drafts of the strategy plans and they presented them at the Trusts' biennial conference in May 2006.

4. Results

4.1 Overview

Each trust has taken the time to look carefully at its vision and mission – and all have come up with purpose statements which describe well what they do and visions which are inspiring and memorable.

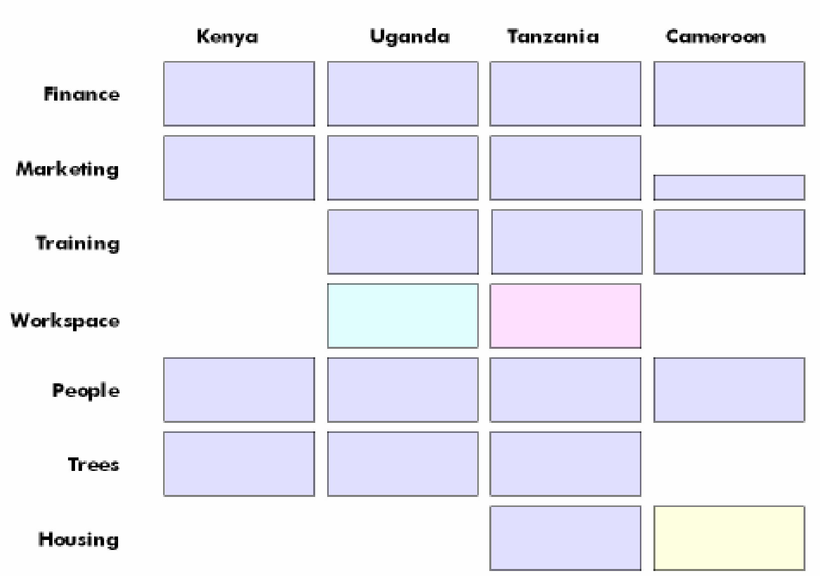
If the objectives of the organisation build on and reinforce the values, then the organisation is likely to be successful. If they differ too much, there will be dissonance and, ultimately, failure. It can also be helpful for organisations to set out a simple statement of values or principles which describe the way that they work. Typically, this might include integrity, treating people with respect, mutual support etc, but there is always a danger that organisations will end up with a long list and all the trusts have veered in that direction. Ideally a values, or a philosophy, statement will set out the way that the organisation behaves and all of the Trusts have taken the time to think carefully about their shared values.

The projects and programmes developed by each of the Trusts and intended to catalyse support, or to deliver support directly, to businesses need to fit their strategic objectives – and the strategy itself needs to reflect the needs and aspirations of the people being supported. This requires a good SWOT analysis. All of the trusts had undertaken a SWOT analysis, though it was not always clear how this had previously helped to shape the strategy. The experience of the author, having reviewed a large number of not for profit organisations in the UK as well as in Africa, is that too often organisations undertake a SWOT analysis – presumably because they have been told that is what they ought to do – and then ignore the results in formulating the strategy or, worse, have objectives in the strategy that contradict the SWOT results! The Trusts, however, are all taking a strategic approach to their service provision.

All the trusts are providing basic support – training and counselling; micro-finance and marketing support is also seen as of particular importance. But all are providing additional service, depending on local need and subject to attracting sufficient resources.

Figure 1 summarises the different programmes of each trust – the different shaded boxes represent services offered in partnership with others, and the half height box represents a service that is only partially available at present.

Figure 1: Programmes & services at a glance



Three of the trusts are now engaging in what they call technology transfer though, in reality, the service that they are offering is more like a ‘product and process design service’ – in other words, on the whole, they are not transferring knowledge, they are simply designing and making a machine or a product for use by a micro business. This is still valuable, but could lead to other opportunities which, as yet, are not being exploited. For example, the ‘product and process design’ could be extended such that the trusts could gain a royalty from every product sold – and a similar scheme for the participating university, rather than a straight fee, might encourage more innovation and better service by the university.

4.2 Kenya Gatsby Trust

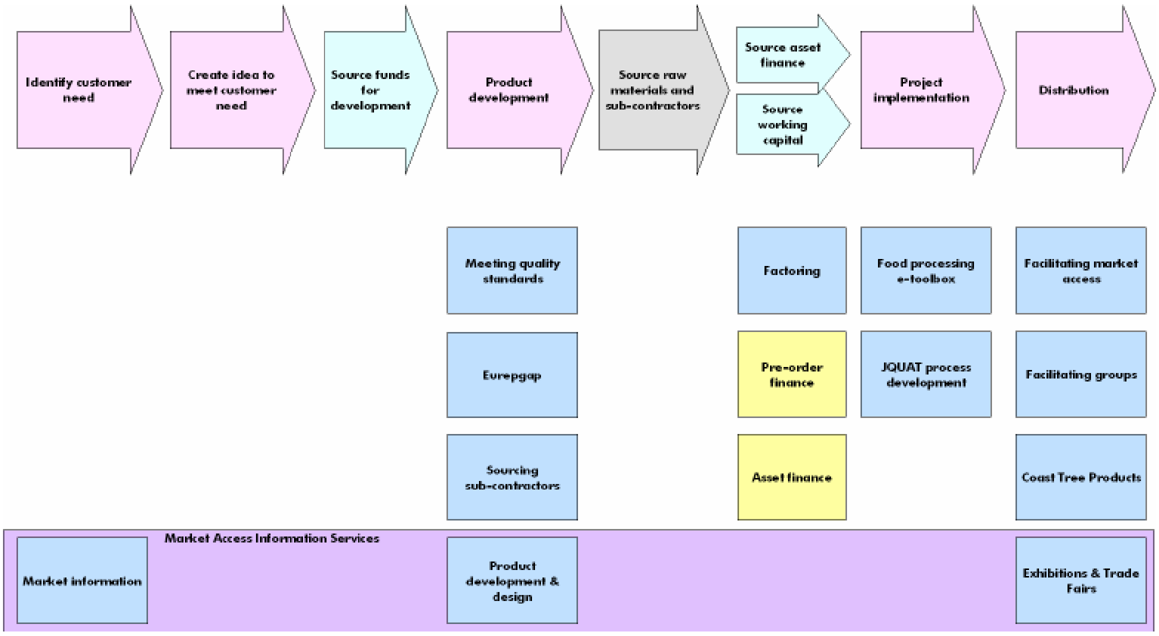
Kenya Gatsby Trust has developed a vision of contributing to the creation of “a just and equitable society where citizens engage in sustainable economic activities in a socially responsible and environmentally friendly manner”. They have written their mission to explain that they “facilitate innovation and market support solutions for micro and small enterprises in partnership with other stakeholders for poverty eradication and wealth creation” though arguably their by-line, ”promoting sustainable wealth creation”, sums up better what they aim to do.

KGT's has defined strategic goals: to develop need-based products for its clients, develop clients' capacities for the purpose of influencing improvement in their productivity and competitiveness and to develop KGT's self sufficiency and sustainability.

KGT has targeted many of its programmes at rural communities. Its clients are mainly subsistence farmers, but they have been helping them move into new areas, including wood products from neem trees and, whilst waiting for the trees to grow, using oil from the seeds for moisturising and other creams. They are currently exploring a potentially ground breaking deal with a UK High Street chain to start selling some of the wooden products.

KGT has focused its support by looking at obstacles in the value chain, though it has tended to look more at the value chain within a business rather than the value chain for, say, the way that a commodity moves from the farmer's field to a retail outlet in Europe. One consequence, for example, is that KGT has moved away from the provision of traditional loan finance and launched a 'working capital' finance programme (aimed at businesses which have a track record and a confirmed order but do not have sufficient working capital to buy the raw materials or cover their other costs) and a micro-leasing programme. At first glance, the range of projects looks disconnected, but the value chain focus brings coherence.

Figure 2: Generic value chain and KGT projects and programmes



Notes: The value chain is simplified to show key steps; a selection of KGT programmes and projects are shown in the blue boxes; items in the yellow boxes represent potential programmes; the lilac box represents a project that utilises functional expertise in a number of areas.

4.3 Uganda Gatsby Trust

Uganda Gatsby Trust focuses on small scale manufacturing businesses, typically though not exclusively metal work, wood work and textiles, though does not restrict support solely to such businesses. There is also a desire to support the 'missing middle' (ie, those businesses who cannot otherwise get the support that they need) with the potential to grow and a desire to enable Ugandan businesses to add value rather than simply supplying commodities or trading.

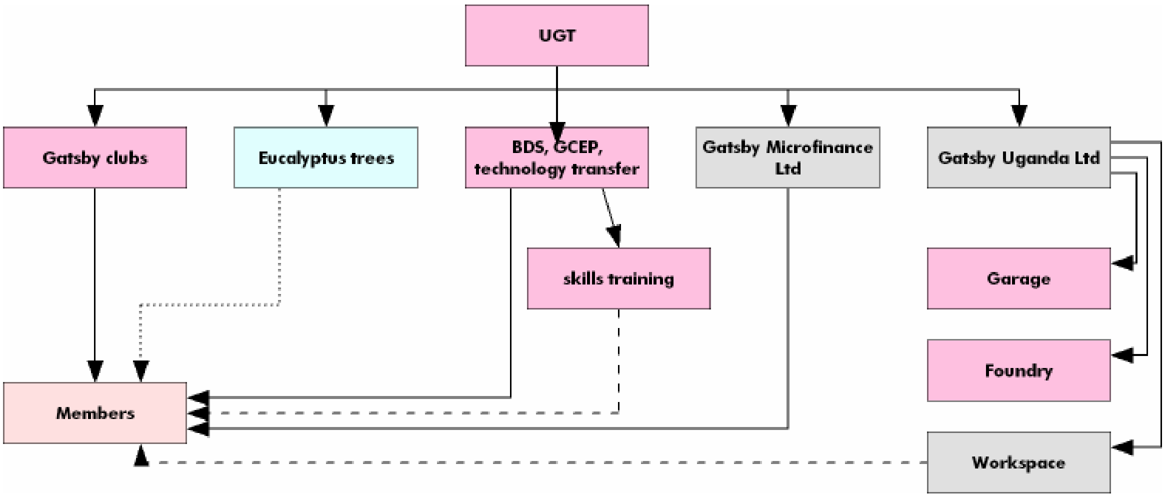
It has revised its vision thus: "to become a model of group-based small enterprise development in Uganda and beyond" and its mission: "to enhance competitiveness and growth of small enterprises by providing access to know-how, productive capacity, finance and markets".

UGT manages its work as shown in the diagram below.

The first division is the support provided through the Gatsby Clubs – independent membership clubs in 21 centres around Uganda. Through these clubs, members can access a range of business development support and micro-loans.

UGT is, additionally, able to support members with access to the University to develop new products to improve their manufacturing processes. There are outline proposals for a technology transfer centre, to expand this work, and for a technology incubator, to assist students with new product ideas to develop them to the point where they can be commercialised.

Figure 3: UGT simplified structure



UGT provides skills training – through offering scholarships to engineering undergraduates who could otherwise not afford to attend the university, through offering student placements in member businesses and through offering skills training in the garage and foundry.

UGT offers micro-loans. UGT is looking at the scope for providing finance for agricultural mechanisation, especially water harvesting and irrigation.

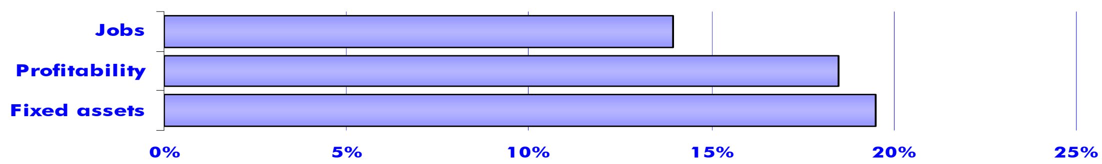
Microfinance is going well. UGT initially capitalised the fund with Sh200m. It has added to it since, and it appears that the fund has been revolved several times, with total lending of Sh902m. The recovery rate is around 94 per cent, so the interest more than makes up for the capital losses, though does not cover the running costs. UGT currently has 56 approvals, worth Sh330m, outstanding.

In response to a request by GCF, UGT reviewed some 51 clients who had borrowed from the loan fund between 1999 and 2004. Collectively, they had borrowed some Sh515m, so cover more than half of UGT's total lending. The results are impressive.

Over the five year period, the clients increased jobs by 94 per cent, increased profitability by 134 per cent and increased their fixed assets by 144 per cent.

It is more sensible to look at the results on an annual basis, which will ultimately make it easier to compare trends across years. These figures equate to annual increases of 14 per cent in jobs, 18 per cent in profitability and 20 per cent in fixed assets (all rounded).

Figure 4: Impact on selected clients (annual)



Source: Adapted from data provided by UGT

UGT has also been experimenting with workspace. It has built a small number of units at Jinja in the north of the country and has almost completed a project to build 72 units for sale at Mbarara in the south of the country. To date, about three quarters of the units have been built and all have been sold. This has created much interest in the rest of the country and they are intending to pursue further workspace developments.

4.4 Tanzania Gatsby Trust

From its inception, the TGT trustees believed that the diversity of Tanzania's economy necessitated a wider footprint (Melly, 2007). TGT, in partnership with the College of Engineering & Technology (CoET) at the University of Dar, undertook a major survey starting in 2002 enabling them to prepare a country-wide picture of the status of SMEs and to develop appropriate services. TGT's vision is to work in partnership with others striving towards an enterprising Tanzania in which prosperity is widely distributed. It has unified an apparently disconnected set of objectives by explaining that their purpose is to support people to “harness, channel and unleash human energy to build social, physical and financial capital through entrepreneurship development”.

The strategic objectives are excellent – with five about building social, financial and physical capital – and two supporting objectives.

TGT provides support directly to new and emerging businesses. This includes micro-finance through credit circles as well as larger loans to individuals. They are starting to emulate the Gatsby Clubs and provide marketing support enabling clients to attend trade fairs and promote clients’ good internationally. In addition, TGT works with and through partners, which gives a ‘bigger bang for the buck’ whilst simultaneously keeping costs low. One project with CoET support engineering students who undertake process improvement projects in SMEs; CoET has also developed a virtual incubator with financial support from TGT and Carnegie and has plans to establish a physical incubator also.

TGT is working with some extremely poor people and is having a dramatic impact on their livelihoods, though many remain as subsistence businesses. They do, however, reach a large number of people, though small relative to the population. The strategy of working with and through partners, provided TGT can find the resources, does mean that they have the potential to work with many more people. However, this approach also means that it is far harder to assess the impact of their activity as too often they are relying on their partners to tell them about the success of their projects – and their partners have a vested interest in being very positive about their impact.

TGT has an amazingly lean structure – largely working through partnerships with others who can more easily deliver support on the ground – employing just six project management staff including the executive director and the accountant.

4.5 Cameroon Gatsby Foundation

Cameroon Gatsby Foundation exists “to empower low-income women to help themselves out of poverty through the provision of micro-finance and business support”. Essentially, CGF works directly, and through intermediaries, with female entrepreneurs in the rural areas, who would otherwise be unable to raise any finance to start or grow a business. Most lending is through credit circles based on the traditional *tontine* savings and loan groups.

The perception by stakeholders is that CGF is primarily a micro-finance organisation, though some recognise that it additionally provides business development services. This raises the question of whether CGF aspires to be a micro-finance institution that also provides business support or a business support organisation that also provides micro-finance. It argues that it is the loan finance that attracts clients so it would be unlikely to offer business support without finance, perhaps suggesting that it is primarily a micro-finance institution.

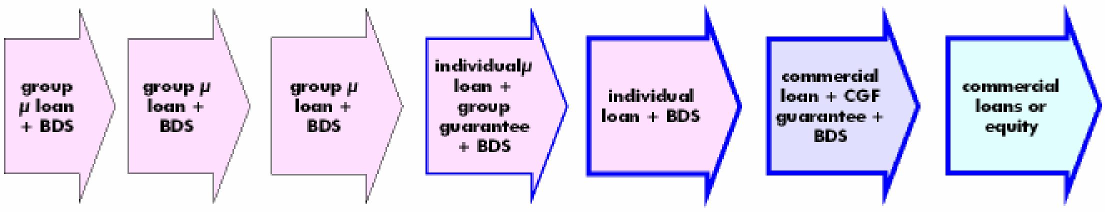
CGF is working with some extremely poor people and is having a dramatic impact on their livelihoods, though most remain as subsistence businesses. They reach a large number of people, though small relative to the population.

CGF has looked at the ideal progress that one of their clients might make moving from very small loans provided through a group mechanism all the way to a wholly commercial loan from a bank.

One might then imagine a progression as follows (without any obligation on clients to progress further than they want, but equally without any obligation on CGF simply to keep funding businesses who don’t want to progress):

- Access to micro-loans through the groups with loans potentially becoming larger each time (but probably up to a maximum number of loans);
- Access to loans awarded on an individual basis (so not subject to dividing a group loan amongst the group) but requiring some element of retained earnings or other personal investment and still guaranteed by the group;
- Access to individual loans that no longer require a group guarantee but which do require a larger element of personal investment or retained earnings;

Figure 5: Loan progression



- Support to secure a loan from a commercial source, with a CGF guarantee of up to, say, 65 per cent;
- Support to secure a loan, or equity, from commercial sources with no requirement for a CGF guarantee.

This progression is designed to encourage entrepreneurs to take more responsibility for their business development and to help them reach the stage where they no longer need CGF money.

4.6 Summary

As Lord David Sainsbury, Settlor of the Gatsby Charitable Foundation, notes in the forward to "Gatsby in Africa" (Melly, 2007), "there has been no top-down externally driven plan. The Trusts are indigenous organisations that are largely independent in deciding strategies appropriate to their specified local needs. Their paths have been evolutionary ones in which they have tested, and often pioneered, a wide range of approaches." Not only has this removed the imperative to satisfy donors' ways of doing things, but also has resulted in some excellent projects, which do appear to be meeting client need. However, with the notable exception of TGT, there has been little systematic studying of need. And arguably there has been insufficient impact evaluation.

The table below provides a simplified comparison of the Trusts' approach and highlights the different approach that each is taking.

Table 1: Comparison of trusts

	Primary target audience	Means of support	Focus of support
Kenya	Subsistence farmers	Direct	Based on value chain gaps
Uganda	Small scale manufacturers	Direct	Product & process
Tanzania	SMEs	Direct & through partners	Holistic
Cameroon	Rural women	Direct & through partners	Micro-finance

The objective in all the countries originally was to work with poor people to help them to help themselves and undertake worthwhile economic activity. The different Trusts have, however, modified their targeting in response to their perception of the need and their backgrounds. In Uganda, because the Trust is based in Makerere University's Department of Engineering, there was a desire to work with "technology" based businesses. This does, however, reflect the high level of small scale manufacturing businesses in Uganda. This focus has now metamorphosed into working with any small scale manufacturer. In Cameroon, the initial objective was to build on the perceived success of the tontines but to provide micro-finance to help them start a business. The Trust has largely retained this objective, utilising peer group pressure instead of collateral to secure micro-finance, and lending exclusively to rural based, female entrepreneurs. In Tanzania, the focus has moved from direct support to "wholesale" support; no real segmentation of ultimate beneficiaries is undertaken but rather they undertake or support initiatives that they believe can make a difference. Kenya Gatsby Trust has probably done more than any other to redefine its target audience though, it seems, this has largely been an iterative process rather than through any systematic evaluation of benefit. Cameroon continues to focus primarily on the provision of finance but the other Trusts have been broadening their offer. However, there is a desire in Cameroon now to broaden support to provide advice and training as soon as resources allow. In all cases, this is because the Trust has identified a need, but also because it has been able to raise the funding. Only in Kenya has there been a systematic attempt to assess whether programmes fit the strategy – with their assessment of value chain gaps – though TGT ha almost completed a major study of the cotton value chain in Tanzania which should identify a number of gaps.

There are different approaches to charging for services as well. There continues to be debate around the world about whether prospective and emerging entrepreneurs should be expected to pay for their services. This is not the place to rehearse the arguments, though given that the UK spends more than £150m per annum on Business Link alone, I take the view that many businesses either cannot afford or will not take up support unless it is provided at considerably less than the full commercial cost. In Cameroon, or Zanzibar, the majority of clients struggle to pay the interest on their loans and would be unable to pay for advice and training as well. In Uganda, on the other hand, because the businesses are more established, there is an expectation that they will pay an annual subscription to be a member of the Gatsby Clubs. In Kenya, there is a mix with clients in some programmes paying a modest contribution, whilst clients in other programmes pay much less.

5. Impact

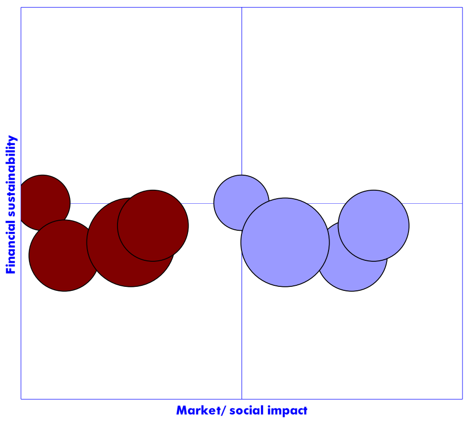
Disappointingly, none of the Trusts were making systematic efforts to measure and report their performance. They can all quote numbers of people helped, or number of loans provided, or loan repayments. But, with the one exception of UGT and their loan clients, there was no real measurement of outcomes.

I felt that it was important to measure impact, but I also wanted to do it in a way that might be broadly comparable for the Trusts. This was difficult when there was no measurement of increases in turnover, or profit, or employment by clients. I made a qualitative judgement, therefore, for each Trust based on the apparent impact that the Trust was having on clients. This is fairly straightforward when the client is a subsistence farmer in Zanzibar who has doubled their annual income and is able to send their children to school or a business in Mbarara (Uganda) that is able to move into their own workspace in an industrial zone instead of renting from a capricious landlord in the middle of town or has started exporting their cushions and curtains to New York or is harvesting seeds from Neem trees to make oil whilst waiting for the trees to grow enough to make ‘good’ wood carvings. But it is more difficult to quantify the impact across all the clients. There is a further challenge in that the Trusts are only working with a relatively small number of clients, so inevitably the total impact, whilst important to the clients, is limited. I attempted to make an estimate, therefore, of the market/ social impact based on the clients that I met and the improvements in their livelihoods. I assessed each trust on a scale of 0-5 both for the impact that it makes on its clients (on the whole, very high) and for the impact that it makes on society (on the whole, fairly low, because of the low level of market penetration).

The Trusts have the advantage of long term support from the Gatsby Charitable Foundation, but the support is fairly modest. The aim of the Gatsby Charitable Foundation, however, is for the Trusts to become financially independent. Furthermore, the Settlor of the Foundation has made it clear that he wishes GCF to be spent up by the time he dies. There is an imperative, therefore, for the Trusts to become financially sustainable if they are to outlive GCF. This does not mean that they have to earn all their own income, but does mean that they need a mix of income from a range of sources, and need plans in place to be able to live without continuing support from GCF. So I defined financial sustainability as the proportion of revenue funding from sources other than Gatsby Charitable Foundation.

I combined these on a single matrix, as shown in the figure – with the blue circles representing impact on clients and the red circles representing impact on society.

Figure 6: Impact



Source: David Irwin, Strategic Review of African Gatsby Trusts, 2006

As can be seen, the Trusts are all about half way to financial sustainability, though some would argue that they already have sufficient independent income to keep going without further support from GCF and that GCF funds simply enable them to do more than would otherwise be the case. There is some merit in that argument, but all the Trusts appear to have the potential to raise more grant income, and probably to earn more fees, if they chose to do so.

6. Lessons & challenges

The Trusts provide excellent laboratories for different approaches aimed at different target audiences. The four Trusts have all looked carefully at the specific requirements of businesses and have attempted to provide services which can make a real difference. The Trusts are all successful because they all exhibit a number of strengths:

- Understanding of, and responsive to, clients and their needs
- Positive, reinforcing values
- Professional and committed staff who are passionate about what they do
- Making a difference
- Widely networked
- Well regarded by all their stakeholders (indeed, it was hard to get stakeholders to be critical)
- Willing to form and to join partnerships and to participate in activities organised by others
- Proactive in adopting ideas developed by sister Trusts and implementing locally

Not surprisingly, the Trusts all exhibited some weaknesses as well. From the perspective of this paper, the most important are

- The Trusts are perceived by many observers as NGOs rather than business support organisations;
- There is little attempt to seek feedback from clients about what support is needed and what works;
- There is a tendency to settle for delivering an adequate service rather than striving to provide a quality service matched to client need;
- Inadequate client tracking systems make it difficult to keep tabs on individual clients or even to know how many clients are being supported by each trust.

These lessons could easily be applied to any business support organisation worldwide. The important point for policy makers and practitioners is that despite the Trusts' common background, they have all responded to market needs in a way that gives critical support to clients. And this has been necessary because the clients are very different and client needs are very different. Cameroon still has a largely rural economy with considerable poverty; Kenya has the largest economy in East Africa, and a strong agricultural sector, but with large numbers of subsistence farmers and other rural businesses all of whom are looking for support with marketing; Uganda has larger numbers of small scale manufacturing businesses focused on metal, wood and textiles; and Tanzania has ambitious growth plans to move the country out of poverty requiring considerable efforts to support those on the periphery whilst also helping those with export potential.

There is always more that could be done – and with more resources, they would all do more – but getting the basic services right is an important first step.

The Trusts face a number of challenges:

- Being clear about mission & vision – this process of strategic review has helped all the trusts to clarify their vision and mission, but as new opportunities present themselves there is always a danger of 'mission drift'
- Earning income – not through charging fully commercial fees for business advice, but through charging realistic interest rates on loans, through charging commercial rent for workspace, through royalties on product and process design, through charging at least something for services to businesses, etc
- Promoting independence rather than dependence (perhaps by writing this into a statement of values or principles)
- Providing a coherent programme of support – which all the trusts appear to be doing, but they need to think hard before taking on new opportunities presented from outside

- Measuring success (as discussed above)
- Learning & sharing – perhaps through undertaking more serious evaluations on projects and then ensuring that the results are shared with the other trusts

7. Conclusions & recommendations

It is quite clear that the Trusts, having started with very similar objectives, have all identified different target audiences and have set about providing appropriate support in different ways. They have recognised that they only have limited resources, so cannot do nearly as much as they would like but instead need to focus the support that they are able to provide in order to make the most impact. They do, however, occasionally allow themselves to drift from their defined mission when they are approached by third parties to become involved in others' projects and perhaps the Trusts need to be more rigorous in determining whether these projects really do help to fulfil their mission.

The Trusts are all making a significant difference to large numbers of businesses, but unless the number grows significantly, or unless many more organisations replicate the work of the trusts, they are unlikely ever to make a significant impact on their country's GDP. Perhaps, the real challenge for the Trusts is to demonstrate that they are making an impact, exacerbated by the lack of good benchmarking data. There is no doubt that at the client level, they are helping clients to overcome considerable obstacles and to improve their businesses. To have a greater impact on their economies, the Trusts either need to scale up their activities significantly, or look for ways of franchising their activities, both of which are fraught with difficulties, or else need to become better at evaluating what works and what doesn't and sharing the lessons as widely as they can.

Sharing the lessons will also help to demonstrate what the Trusts all know intuitively: that their client groups are different, with different needs, and which need to be addressed in different ways, whilst the Trusts all learn from each other in order to broaden and improve their services.

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