

Management response - Somo External Evaluation



Response to Recommendations:

For the Buruka training:

- 1) Enroll the number of participants to Buruka training whom the majority are accepted into acceleration.

Disagree. We disagree with this as Buruka is one of our filtering mechanisms. While at the stage they are entering Buruka most are entering purely on the basis of an idea (others are entering with a very early stage or informal business), during the program our team has time to vet them and see their commitment to the program and their business or business idea.

As well, an average of 86% of our trainees report an increase in income due to the training they received. This shows that even if they are not financed by Somo, there is an impact on their livelihoods through the knowledge obtained.

- 2) Conduct assessment of the effects of Buruka training on entrepreneurs who did not graduate and graduates who were not enrolled into the acceleration program.

Agree. We currently collect data throughout training on skills and confidence. We then collect surveys 6 months, 1 year and 2 years post-training. Our findings are:

1. 93% improved business skills during training
2. 89% improved confidence levels during training
3. 86% report improved livelihoods post-training
4. 15% access additional training

This assessment could be improved with a most robust M&E department.

For Somo investment services:

- 3) When preparing to apply for the investment grants, Somo must Regularly consult and collaborate with entrepreneurs before any budget adjustment is made.

Agree. We now send out acceptances and then business coaches work with entrepreneurs on budgets to confirm how much capital will be allocated. We have also reduced the periods for allocation from 5 to 1-3 depending on the stage of business.

- 4) Somo should negotiate with Mkono and Tala to extend their loan repayment period from 6 to 12 months to allow sufficient time to entrepreneurs to profit from it and pay.

Partially agree. We are working with our partners to create more flexible terms, in addition to follow-on facilities. These are partnerships so Somo does not have full control over terms. Mkono provides loans at no interest. Increasing the period may cause an addition of interest.



- 5) Somo should review and consider dropping out the future equity from external investors from their services and focus on grants and loans as sources of investment funds.

Partially agree. Currently, we do not facilitate future equity investments and only create connections and provide investors access to Somo Invest.

For the Tengeneza service:

- 6) At Tengeneza, Somo should provide large boilers of 100 liters capacity for all hygiene products to reduce cost of production. In addition, using the same container buckets for making different products should be minimized.

Agree. Have a boiler of 700 litre capacity now.

- 7) Review the fee structure for Tengeneza services to consider prices based on the market value of the products. Products that have better prices and good profit margins should pay higher than those which have low prices and profit margins.

Agree. Have adjusted model to charge per kg produced of different products, depending on machinery used. We now have a requirement that there must be a minimum to produce if 5kgs produced during one session.

For Somo organization:

- 8) As Somo scales and expands to new areas, **more senior management positions should be created**, with at least two more senior staff who have similar capacity to the CEO to steer the program; effectively make decisions and coordinate with donors and other external stakeholders, and reduce the risk and uncertainty that can arise from any unexpected absence of the CEO.

Agree. If financing allows, we would like to make senior hires across the following departments:

- Sales
- Marketing
- Distribution
- M&E
- HR

- 9) Entrepreneur mentors/trainers should train from the hubs within their locality to reduce on time spent on transit and cost of transport.

Agree. We are working on building out our entrepreneur mentor and trainer network so this is possible.



- 10) Somo should revise the payment of entrepreneur mentors/trainers from Ksh 2,000 to Ksh 4,000 to compensate for at least two hours of service, considering the time they spend on transit and in the training sessions.

Partially agree. We have revised our payments to ksh. 3,000 per hour-long session.

- 11) Prepare individual entrepreneur phased disengagement plan for all entrepreneurs that undergo acceleration services.

Agree. We are in process of working on this structure. Disengagement will depend on the following factors:

- Length of time in the accelerator
- Potential to grow - revenue + impact
- Consistency with reporting
- Activeness within accelerator

Other areas of Discrepancy:

Page 25: In calculating the cost of creating jobs and increasing revenue by 162 entrepreneurs who joined acceleration from 2019-2021, **the total cost of US\$ 600,972 was used.** These costs arise from the cost per participants for Buruka (US\$ 333 X 162 = US\$ 53,946), acceleration (US\$ 238,830), DigiKua creation and access (US\$ 21 X 162 = US\$ 3,402), DigiSomo creation and access (US\$ 13 X 162 = US\$ 2,106), hub creation and access (US\$ 217 X 162 = 35,154), market access support (79,305), Tengeneza set up and first 6 months of operations (US\$ 64,898) and 70% of the overhead cost (US\$ 123,331)

The 379 direct jobs that were created by 162 entrepreneurs in acceleration between 2019-2021 were created with a total direct investment of US\$ 600,972. Therefore, the direct jobs created at an average cost of US\$ 1,586 per direct job. Considering both direct and indirect jobs created (3,553), the cost per job created is US\$ 169. These jobs generate not only income but a means of livelihood and social status of people in low-income communities. The cost-benefit consideration includes both the monetary return and the socioeconomic values of the job created. Therefore, the value of a new job created supersedes the cost of creating it. If the long-term benefits of tools such as DigiKua and DigiSomo and an incubation space like Tengeneza is evaluated then the cost per direct job created will reduce over time.

Disagree. We would not include the creation of DigiKua and DigiSomo as a cost per person and thus would put these total costs as DigiSomo = (US\$ 4 X 162 = US\$ 648) and DigiKua = (US\$ 5 X 162 = US\$ 810). As well, we would only include operational costs of Tengeneza as the space will way surpass 20 entrepreneurs, totalling US\$ 7,952. This would bring total costs to US\$ 539,976. And cost per job created to US\$ 151.



Page 9: 359 direct jobs and 3,060 indirect jobs were created by entrepreneurs since 2016 but between 2019 and 2021, there were 271 direct jobs created. Somo increased entrepreneurs' income by 234%, from an average income of US\$ 86 (Ksh 8,911) to US\$ 253 (26,019Ksh) per month. Increase in disposable income in addition to other factors changed the social status of entrepreneurs.

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Partially agree. Page 25 is correct on the number of direct jobs created, not page 9. This means that total indirect jobs are 3,174. Also to note that while this is between 2019 and 2021, direct jobs created overall are 479, with 25 people reporting improved working conditions.

Page 35: Finally, the quality of some products such as detergents, shampoo, flour, honey and peanut butter are good but the quality of some products such as hair conditioner and lotions are not good. There is limited standardization of quality, partly arising from the sources of input-materials and partly due to sharing production utensils, which contaminates other products. For example, according to an interviewed entrepreneur, the color of hair conditioner and lotion is supposed to be white but the products are cream and a bit brown, creating wrong impression that it is expired yet when customers use, they find it working well.

Partially agree. Our SOPs and quality standards were created in collaboration with consultants from KIRDI. Our team and entrepreneurs were trained in these processes. These entrepreneurs quoted were still in process of going through training. We get each batch of products tested at a lab before dispatching to ensure quality standards are met.

