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MEDA

Towards a MEDA Strategy for

Business Development

Production and Marketing Linkages

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Preface

The late 1990s witnessed a sea change in practitioner perspectives concerning what constitutes good practice in the area of Business Development Services (BDS). This stemmed from growing appreciation that some BDS initiatives performed markedly better than others and increased funding agency expectations of BDS project performance. To some extent these changes have paralleled the 'trade not aid' debate with a like-minded view that BDS needs to become more business-like in design and execution if it is to perform well and serve client needs properly. Mennonite Economic Development Associates (MEDA) has contributed to this discourse and will continue to do so. Even with its historical 'business-minded approach' to BDS and like initiatives, MEDA itself has been challenged to explain why it excelled in some BDS projects while others, though partially successful, failed to fully achieve the expected level of long-term sustainability and impact on clients. This prompted MEDA to identify BDS methods and practices that make for improved project performance and yield greater impacts on MEDA's target clients—the low-income productive poor. This monograph is a précis of MEDA's introspection and search for a better way. Structured in story form, it is not a 'how to' guide but an overview of how MEDA's perspective, orientation, core skill sets, and institutional learning habits have evolved and helped it to improve its BDS performance in response to key lessons learned (as much from missteps as from success). If this monograph yields useful insights for managers of BDS agencies and projects, then its purpose will have been served.

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1 Executive Summary

This paper tells the story of the evolution of the Mennonite Economic Development Associates (MEDA) private sector development strategy. It reveals MEDA's gradual shift, over several decades, from direct North-South business mentorship to its current systemic approach to helping small, medium and micro enterprises reach high value markets by improving the competitiveness of value chains and stimulating sustainable service markets within them. The paper also tells the story of MEDA's learning process—how it learned from experience and developed and built capacity around this new strategy. The *Production and Marketing Linkages (PML)* strategy is a step along the path to learning increasingly effective ways to help the poor participate more fairly and fully in global markets. MEDA will continue to experiment and learn, and to share this learning with the global business development community as it addresses key and ongoing challenges.

MEDA's Mission, Values, and Structure

Several elements of its mission, values, and structure have contributed to MEDA's smooth and strategic transition:

- Small size and sole focus on business development;
- Entrepreneurial orientation and capacity; and
- Institutional structure based on core products that give staff the mandate to develop centers of excellence.

1950 – 1980

During its first four decades, MEDA's enterprise development strategy evolved significantly and in parallel with the global enterprise development field. The major phases of its development have been:

1. A direct business development approach, often combined in some way with credit, that had a positive impact, but was expensive, small-scale, and not sustainable;
2. The separation of minimalist financial services from business development services;
3. The *Project, Program, Business* strategy—a social enterprise approach in which MEDA acted as a trader to link the poor to high value markets; and
4. The market development approach in which MEDA now works to strengthen production and market links by addressing failures in the product markets that link the poor to consumers, and in the service markets that help those product markets function well. MEDA calls this the *Production and Marketing Linkages (PML)* strategy.

Key Lessons Learned

1. *Let Markets Drive Business Development by:*

    - Developing products that meet market demand, rather than seeking a fair price for existing products;
    - Considering local and regional market opportunities;
    - Knowing the competition and using international benchmarks to understand where target producers stand in the global economy;
    - Helping producers adapt to constantly changing market demands; and
    - Helping small-scale retailers benefit from social marketing of new public health products.

2. *Support Existing Market Systems by:*

    - Building the capacity of existing private sector traders;
    - Partnering with ethical entrepreneurs;
    - Stimulating competition among traders and their interest in working with poor producers;
    - Building exporter alliances to reach high volume markets and create a market position for the country;
    - Ensuring sufficiently strong links all along the value chain to enable producers to reach the final market; and
    - Ensuring proper inventory control.

3. *Link Enterprises to Credit, but Don't Link Business Development and Financial Services*

4. *Match Responses to the Unique Circumstances of Different Types of Entrepreneur*

5. *Employ a Learning Process:*

    - **Project design:** MEDA has learned the importance of pre-project market research and has, over the years, engaged in ever more in-depth and relevant market research; and
    - **Implementation:** MEDA adjusts projects mid-stream based on project progress or changes in market opportunities.

Production and Marketing Linkages Strategy (PML)

MEDA's current enterprise development strategy, the PML:

- Re-affirms MEDA's mission and values of business-oriented economic development for the working poor; and
- Incorporates a familiar goal of increasing the net incomes of small and medium enterprises (SMEs) by helping them increase their sales and efficiency and participate more fully and fairly in global and local markets.

However, MEDA's objectives are new and focus on:

- Strengthening the competitiveness of industries (value chains/sub-sectors) that engage SMEs as well as their position in them;
- Improving market links all along the value chains to give participating SMEs a selection of buyers and input suppliers from which to choose; and
- Ensuring that the value chain incorporates, and has sustainable access to, business services that can continuously improve the industry's capacity to respond to market demand.

MEDA's Change Process

Several elements in MEDA's change process have facilitated an easy strategic transition:

- Engagement with the Business Development Services (BDS) field: MEDA has contributed to the development of best practices by sharing its experience. Regarding the BDS market development approach, MEDA debated its relevance to its work and ultimately adapted it for use in its program;
- Support of risk-taking and learning through experience: MEDA is a learning organization;
- Focus on product lines: the PML strategy was developed as MEDA underwent an overall restructuring that led it to focus on excellence in specific product lines; and
- Capacity building: the focus on product lines gave staff the mandate to become BDS experts.

Although MEDA's position as a relatively small and business-focused organization facilitated the change process, many of these elements may well be relevant for larger organizations.

Challenges

MEDA is faced with many of the same challenges as the BDS field, including:

- Sufficient business in BDS;
- Reaching low-income women;
- Reaching poorer clients;
- Complex markets and partnerships;
- Helping SMEs access BDS and credit; and
- Funding sources.

Closing

Since 1953, MEDA has taken risks to solve economic development challenges by using business-oriented development strategies. MEDA has used the lessons it has learned from this experience to develop a new Production and Market Linkages strategy that reflects both its core mission and values and its dialogue with global practitioners. This strategy is a result of a learning culture that is bound to enhance MEDA's work to benefit the world's working poor.

2 Evolution of MEDA's Business Development Strategy

The PML strategy evolved gradually. It is based on lessons learned by MEDA and the small and medium enterprise (SME)[1] development field. It supports MEDA's mission to "address human needs around the world through business-oriented economic development programs" with a focus on helping the productive poor increase their incomes.[2] MEDA's SME development strategy began with relatively small-scale, subsidized efforts and evolved to focus on sustainability and on strengthening market systems to achieve sustainability, greater scale, and deeper outreach. MEDA's mission, values, and structure supported the development of a business strategy that would reinforce its position as a center of excellence in the small enterprise development field. These changes in MEDA's strategy have paralleled those occurring in the wider field of SME development.

MEDA Background

Mission and Values

Throughout these strategic changes, MEDA's core mandate and values have not changed. As one senior staff member states it: "The market system works. There is no need to establish an alternative market system or way of trading. Rather, MEDA's role is to help the poor participate more fully and fairly in global markets."[3] This is the essence of MEDA's business development strategy. Its mission and values appear below:

> "MEDA is an association of Christians in business and the professions committed to addressing human needs around the world through business-oriented economic development programs and to applying biblical teachings in the marketplace. MEDA members share their faith, abilities, and resources so that all may utilize their abilities to earn a livelihood, provide for their families, and enrich their communities.
>
> - MEDA believes that the best way to help poor people escape poverty is by building sustainable, locally-owned institutions and businesses that are not dependent on charity for survival.
> - MEDA values innovation and promotes entrepreneurial and business-oriented solutions to poverty. Like the visionary entrepreneurs who founded MEDA in 1953, its current staff are willing to take risks to test new ideas that have potential to help

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1 Although SME usually refers to small and medium enterprises, sometimes MEDA's work extends to include microenterprises.

2 www.meda.org

3 Jerry Quigley, January 2005

poor people improve their lives.
- MEDA serves the working poor."[4]

Significant aspects of MEDA's mission and values contribute to its ability to learn from experience and adapt its enterprise development methods. These include:

1. MEDA is focused exclusively on poverty elimination through business-oriented economic development. For this reason, it does not need to reconcile its business-orientation with a larger, more charity-oriented agenda.
2. Due to the business perspective, financial support, and Christian concerns of MEDA members, staff are committed to applying business-oriented principles and practices in MEDA's not-for-profit activities.
3. MEDA values entrepreneurship and risk-taking, which contribute to an open environment for rapid learning and adaptation.
4. MEDA's business orientation leads to the hiring of staff with business training and experience.

MEDA's entrepreneurial business orientation and a membership base that shares and drives these values, contribute to its ability to both incorporate and contribute to best practices in small enterprise development.

Size

The strategic changes MEDA has experienced have been facilitated by its size. It is quite small when compared to other North American-based private voluntary organizations (PVOs)[5] and this has enabled MEDA to nimbly craft and communicate its new strategy.

- Of its $7.5 million (MM) in revenue in 2004, $2.75MM was dedicated to the PML program;
- Currently, MEDA manages 34 programs, 15 of which are focused on PML; and
- MEDA has a total of 35 North American-based staff, four of them senior professionals dedicated to PML.

Structure

MEDA's decision to focus on product lines—rather than on donors, members, or target clients—played a critical role in the development of its enterprise development strategy, which emerged as part of an overall restructuring of the organization. In determining this focus, MEDA…

> "… reaffirmed that our core competency must be in developing entrepreneurial products/services that serve the poor. We will test these products and extend our reach by providing these products to partners throughout the world. We will engage our membership in helping to develop and finance these products and services, and we will support our membership as they seek to give expression to their faith through this service and in their work."[6]

MEDA's five product lines are:

- **"Community Economic Development (CED):** Projects, contracts, consulting, and

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4 www.meda.org

5 PVOs are similar in status to "non-governmental organizations" or NGOs.

6 Management Report to MEDA Board, February 2003

products that help poor communities (in North America) develop sustainable solutions to poverty in their own communities;

- **Investment Fund Development (IFD):** Funds, consulting, contracts, and products that promote profitable direct investment in businesses and institutions serving the poor;
- **Microfinance (MF):** Projects, contracts, consulting, and products providing innovative and sustainable access to savings and credit for the poor;
- **Production and Marketing Linkages (PML):** Projects, contracts, consulting, and products that provide innovative and sustainable access to markets for small producers and/or give the poor better access to products that serve their basic needs; and
- **Member Services (MS):** Products and services (Business as a Calling, annual convention, publications such as *The Marketplace, MEDA News,* and MEDA books and chapters, etc.) that help…membership strengthen faith-work-development connections in their own lives and in all the places touched by their work—government, courts, marketplace, etc."[7]

MEDA's decision to focus its work around product lines established the PML department as a center of excellence in the SME development field. Its recent organizational transition to this orientation has provided MEDA an opportunity to synthesize its years of work and learning in small enterprise development and has provided staff with a mandate to also incorporate international best practices into this experience to create a leading enterprise development strategy.

Target Clients

MEDA serves the working poor, focusing primarily on producers. The majority of MEDA's SME development projects target farmers. Some projects serve producers of hand-made products. In Uganda, MEDA works with retailers of products that provide health benefits (UHT processed milk and insecticide-treated bed nets). Though MEDA's SME development projects are implemented primarily in Latin America and Africa, it is beginning to implement initiatives in Tajikistan, Pakistan, and Afghanistan.

Main Services

The objective of most MEDA projects is to assist small-scale producers improve their production and reach markets, particularly export markets. Since 1997, it has become increasingly involved in using market mechanisms and private sector distribution systems to help the poor gain access to health products such as UHT milk and insecticide-treated bed nets through SME retailers.

Strategy Evolution Before PML

From the 1950s to the 1980s

MEDA's early approaches to small business development, from 1953 throughout the 1970s, had some significant development impact by channeling direct technical assistance and investment from international experts to developing country businesses run by the poor. In the 1950s and 1960s, much of MEDA activity involved linking members with individual entrepreneurs in Mennonite communities around the globe. In some instances, this led to significant business development, for example, in Paraguay where the dairy industry today is dominated by

[7] www.meda.org

firms that benefited from such mentorship in their early stages of development.[8] In the 1970s, MEDA enhanced its voluntary initiatives by hiring professional business specialists to deliver direct technical assistance. During the 1980s, these professionals began to establish and work with cooperatives as a way of reaching larger numbers of clients and helping them gain access to markets and increase their leverage when negotiating prices with buyers. An assumption emerged at MEDA that middlemen were inherently exploitative and that cooperatives could help farmers realize better returns. This assumption was widely accepted in the development profession at the time and is widely held to this day. Although effective on a small scale over the short run, these efforts suffered from many of the same limitations plaguing the small enterprise development field in general. They were expensive and unsustainable.

Haitian Cocoa Marketing — 1984-1992

In Haiti, MEDA established 12 cocoa farmer cooperatives, provided technical assistance in cocoa production, and marketed cocoa for farmers. MEDA also sought out mainstream markets like Hershey Chocolate and helped farmers deliver their crops. However, MEDA earned more profit from exchange rate fluctuations than from cocoa trading and when a military coup led to a trade embargo, the operation ceased. Although, the well-managed cocoa cooperatives were able to find new markets in Port-Au-Prince, MEDA's marketing efforts proved not to be sustainable.

The 1990s—A Drive for Sustainability

In the 1990s, MEDA confronted the challenge of sustainability by employing a social enterprise model.[9] The objective was to establish or work with sustainable businesses that could trade efficiently and in ways that would benefit poor entrepreneurs by assisting them in circumventing middlemen to reach markets and realize better prices. MEDA used an entrepreneurial approach to experiment with a variety of projects, establish viable programs based on those that proved successful, and turn the initiatives into profitable businesses. This strategy, termed *Project through Program to Business,*[10] involved risk and MEDA understood that not all of its projects would become viable businesses. The businesses themselves were established as joint ventures owned by some combination of producers, MEDA, and other individual or donor investors. MEDA also established a Canadian-based MEDA Trade Company (MTC) to market the products of MEDA-owned businesses. The strategy resulted in positive development impact, some small-scale sustainability, and many lessons learned. However, MEDA felt its efforts could (and should) be more sustainable and on a larger scale.

The following MEDA projects illustrate some of the learning from the *Project through Program to Business* strategy.

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8 Jerry Quigley, January 2005

9 For more information on social enterprise, see www.se-alliance.org. See also "Social Enterprise: A Typology of the Field Contextualized in Latin America," Sutia Kim Alter. www.iadb.org

10 "From Project, Through Program, To Business," MEDA, 1996

Project through Program to Business Strategy

Mbeya Oxenization in Tanzania

From 1986-1993, MEDA managed a project to help increase productivity of small-scale farmers in Mbeya, Tanzania, an area plagued with labor shortages that resulted in polygamy and heavy workloads for women. The project designed and disseminated ox-driven plows and cultivation techniques and trained more than 3,000 farmers in the new technology. One third were women. When the project ended, several Tanzanian staff members launched two profitable firms that continue to promote and supply plows and train farmers in their use. Although the project transformed small-scale farming in the region in ways that benefited both women and men, if MEDA had empowered local businesses to promote the technology at the beginning of the project, many more businesses may have been started and more farmers reached.

ASOPROF and ASOMEX in Bolivia

From 1985-2002, MEDA worked with bean farmers to form a cooperative, ASOPROF. MEDA helped the coop introduce bean production and reach higher-value regional markets. Together, they formed a bean exporting firm, ASOMEX, owned by the cooperative, MEDA, and private investors. At its peak, ASOMEX served 1,500 farmers. ASOPROF and ASOMEX launched the bean industry in Bolivia and stimulated other producers and traders to enter the market. Although MEDA launched a sustainable cooperative and helped farmers produce a new crop and access high value markets on a permanent basis, it did not earn a profit with ASOMEX. Additionally, MEDA felt that more farmers could be reached by working with more than one producer group and its subsequent project, PROCOR, did just that.

In both cases, significant development impact was achieved by helping small-scale farmers. However, the initiatives were small scale and sustainability emerged from private entrepreneurs in ways project designers had not foreseen. These kinds of experiences led MEDA, in 2003, to re-assess its SME development strategy.

Project Summaries

Following are brief summaries of MEDA projects implemented from 1984 to the present. **ANNEX A** contains a table with additional data. These projects are referred to throughout the section on *key lessons learned* that follows.

Haitian Cocoa (1984-1992)

MEDA provided technical assistance to a dozen cocoa cooperatives and purchased their cocoa for export to U.S. markets including Hershey. Cooperative members realized a 100% increase in returns and non-cooperative members received a 38% increase. The $2.6MM project generated over $4.6MM in direct benefits. When the coup occurred, operations ceased, although some cooperatives survived and were able to find buyers in Haiti.

ASOPROF & ASOMEX, Bolivia (1985-2002)

In this initiative, MEDA targeted displaced miners who were recently given poor quality land to resettle and farm with rice and corn. MEDA helped the rural farmers organize a cooperative, ASOPROF, and introduced bean farming as an additional source of income and as nutrients for the soil. As beans were a new crop for Bolivia, MEDA sought markets in Brazil and launched ASOMEX in partnership with ASOPROF to trade the beans. ASOMEX, although not profitable for MEDA, stimulated other competitors to enter the bean trading business and MEDA sold its shares in ASOMEX to ASOPROF, which continues to run it profitably.

Mbeya Oxenization, Tanzania (1986-1993)

MEDA developed and disseminated ox-drawn farming equipment to farmers in rural Tanzania. Midway through the project, MEDA hired female extension officers, greatly improving its outreach to women, and trained more than 3,000 farmers in new technology. On average, farmers' net income increased by $54 per person (GDP at the time was less than $200). At the end of the project, staff members launched profitable businesses promoting and selling the equipment.

PROARTE, Nicaragua (1996-2002)

MEDA launched this crafts trading company in Nicaragua to help low-income craft producers, many of them women. Although the company reached sales of $440,000 and landed mainstream clients such as Pier One, it was not profitable and was closed. However, two former managers persevered and are now trading in Nicaraguan crafts as individual entrepreneurs.

PROCOR, Bolivia (1998-2002)

MEDA built the capacity of three producer associations, including ASOPROF, to introduce new crops to farmers and link them to regional markets. Although MEDA conducted the market research and devised market-driven strategies to help farmers produce and sell broad beans and peanuts, it did not market the crops.

COFAM, Nicaragua (1999-2004)

MEDA invested in and launched a bean, rice, and corn marketing company, COFAM, which started in the red bean business, selling to local markets. However, the local markets were rife with corruption. So, COFAM went after the black bean markets in Costa Rica and Mexico. COFAM pioneered black bean production in Nicaragua and earned some profits, but when Mexico and Costa Rica reneged on their preferential trade agreements with Nicaragua, COFAM suffered and was forced to close down in 2004.

Agronegocios, Peru (2001-2003)

Along with two private investors, MEDA invested in this rice-trading firm in Peru. Although the original due diligence overstated the net worth of the firm, it was a profitable company that ultimately purchased rice from over 2,100 farmers and introduced new technology to improve production. When MEDA decided to withdraw its investment in the firm, it negotiated with Agronegocios to take payment in the form of the agricultural production tracking software it had developed, Agro Monitor. MEDA later used Agro Monitor to support a syndicated credit initiative in the same region of Peru. MEDA is now testing an improved version of the software with a view to commercializing it.

PRODUMER, Nicaragua (2002-2004)

MEDA developed a project to support the sesame sector in Nicaragua and helped it become more competitive in international markets. MEDA conducted competitiveness and value chain analyses to understand how the Nicaraguan sesame sector could improve its market position globally and provided producers with technical assistance in production, processing and marketing through cooperatives, thus strengthening links up and down the market chain. The result was a 25% increase in the price paid to cooperative sesame producers and a 50% increase in farmer yields.

Uganda Dairy Processors Assistance Program (2002-2005)

MEDA is supporting the development of the ultra high temperature (UHT) processed milk market in Uganda, where milk is usually distributed through the informal sector, which presents health issues and results in periodic shortages. MEDA is channeling a 50% subsidy to large-scale milk processors to invest in technology and promote UHT. The beneficiaries are milk consumers and small-scale grocers.

Uganda Insecticide-Treated Net (ITN) Market Development Project (2000-2005)

MEDA is promoting the distribution of ITNs through subsidized advertising by large-scale manufacturers and their local distributors. The beneficiaries are low-income families susceptible to malaria and small-scale traders who sell the nets.

From Behind the Veil: Access to Contemporary Markets for Homebound Women Embroiderers in Pakistan (2004-2007)

MEDA is working with ECDI, a Pakistani NGO, to help traditional rural embroiderers—homebound women—to reach urban markets. MEDA is strengthening market links by promoting women traders who can interact directly with producers to communicate new designs and provide modern inputs. MEDA is also stimulating the market for design services by linking women traders and garment sewers with designers.

Farms to Markets: Pro-poor Agricultural Development in Northern Tajikistan—Enhancing Rural Livelihoods Through the Building of a Sustainable Fruit and Vegetable Sub-Sector in Sogd Oblast (2004-2008)

MEDA is working with the National Association of Business Women of Tajikistan to extend credit and improve horticultural production and marketing, particularly for women farmers. MEDA is strengthening small-scale buyers and processors and helping them reach expanded markets.

3 Key Lessons Learned

MEDA's experience with social enterprise was a boon and a bust. On the one hand, MEDA's core development approach held true: that markets work and that MEDA can help them work better for the poor. And, MEDA has learned numerous lessons on how to help the poor access markets. On the other hand, MEDA came to the conclusion that NGO-run trading firms are not as efficient as those owned by individual entrepreneurs. They are rarely sustainable, and they are not necessarily better for the poor. MEDA has found ways to support private sector traders to better reach markets and in ways that benefit the poor.

The following lessons learned elaborate on the above findings. They are organized into five categories:

A. Let Markets Drive Business Development;
B. Support Existing Market Systems;
C. Link Businesses to Credit, but Don't Link Business Development and Financial Services;
D. Match Responses to the Unique Circumstances of Different Kinds of Entrepreneurs; and
E. Employ a Learning Process.

Let Markets Drive Business Development

In its experience running trading companies to serve the poor, MEDA learned to let the market drive the business development process. Its experience taught MEDA the importance of identifying market opportunities and designing projects around helping producers take advantage of these opportunities. When attempting to develop viable market opportunities, MEDA learned the importance of:

1. Developing products that meet market demand, rather than seeking a "fair" price for existing products;
2. Considering local and regional market opportunities;
3. Knowing the competition and using international benchmarks to understand where the producers stand in the global economy;
4. Helping producers adapt to constantly changing market demands; and
5. Assisting small-scale retailers benefit from social marketing of new public health products.

These lessons are elaborated on in the following pages.

1. Develop Products that Meet Market Demand

Many poor producers and their supporters aim to increase production and/or help the producers get a "fair" price for their products and services. MEDA's experience has demonstrated that, if there is low demand for the products, or if the market is saturated with similar products, then no trading company can get a good price for them. Likewise, traders who pay high prices for poor quality products will soon be out of business. The key to assisting small-scale producers get a fair price is to help them produce high value products that meet market demand. They must know what the market wants—the products, specifications, quality, quantity, packaging, pricing, and timing—and they need to learn how to produce to market standards. Only then can they get a higher price for their products on a sustainable basis. MEDA determined that its role is to help poor producers identify a specific, viable market opportunity and learn how to adjust their production to meet market demand.

2. Consider Local and Regional Market Opportunities

Often, development organizations helping the poor reach markets focus on high value North American or European markets. But, MEDA has learned that local and regional markets offer excellent opportunities and are often more accessible to small-scale producers because they:

- Are smaller and, therefore, not as attractive to large, international producers;
- Have culturally-specific product needs that are not easily met by international producers, but may be more easily understood and met by regional producers;
- Often share language and legal systems that are familiar or more easily understood by small-scale producers and traders. This facilitates market entry and avoids dependency on development organizations for contacts in and information on North American and European markets;
- Sometimes offer preferential trade status; and
- Require lower marketing and transportation costs, giving regional producers a price advantage.

Market opportunities for producer groups vary according to their product line and location and MEDA found it best to first consider regional and local markets when identifying target market opportunities.

Regional Market Opportunities

ASOPROF & ASOMEX in Bolivia

When MEDA worked with rural farmers in Bolivia, they identified a viable market opportunity in selling beans to Brazil and Columbia. Bolivia had no local demand for beans, but the demand for them in Brazil was high because the market wanted a specific type of bean, the Carioca. Because the market is too small to attract major international producers and bean production is difficult to mechanize, it provided an excellent opportunity for Bolivian farmers.

3. Know Your Competition—Examine International Benchmarks

When identifying an appropriate market opportunity for poor producers, most of whom perform below industry productivity and quality standards, MEDA learned to compare target

production rates to international industry benchmarks and determine the potential for these producers to compete. In some cases, MEDA has identified industry standards, learned how they are achieved, and worked with producers to help them produce better quality goods more efficiently.

Using Industry Benchmarks

PRODUMER in Nicaragua

In Nicaragua, MEDA is helping small-scale sesame producers to improve productivity and reach global markets in the US, Japan, and Europe. India is a leading producer of sesame globally and Indian producers have yields nearly double those of Nicaraguan producers. The project is helping producers catch up by understanding and using techniques that have worked in India.

4. Help Producers Adapt to Changing Market Demand

MEDA also has realized how important it is for producers to have on-going access to technical advice so they can adapt their production to meet market demand. These days, every market is part of the global economy and they all face rapidly changing competition, demand, and circumstances. When trade barriers around the world began falling, preferential status for some countries and products was eliminated. This process can increase competition or create opportunities for producers, depending on which side of the trade protection barrier they sit. MEDA found that a critical aspect of establishing sustainable market access for producers was assurance that the product design/specification and technical assistance functions would be ongoing, long-term activities.

Adapting to Changing Market Demand

PROARTE in Nicaragua

The international craft market changes its demand for colors and materials annually. So when MEDA launched this craft trading company in Nicaragua, it made sure that PROARTE hired a designer who would travel to gift shows and consistently develop marketable product designs.

From Behind the Veil in Pakistan

To help rural, home-bound women produce marketable designs, MEDA is developing the market for design services with the aim of stimulating traders and garment producers to hire designers on a more regular basis. The traders will then provide the women with specifications for new products.

5. Help Small-Scale Retailers Benefit from Social Marketing

Although MEDA's marketing strategy most often assists producers in reaching high value export markets, it also realizes that small-scale retailers selling low-priced, mass-produced items to the poor can also benefit from social marketing campaigns. Using a market-based approach to support public health officials seeking ways to distribute goods to the poor affordably and sustainably, MEDA provides incentives to medium and large-scale manufacturers to develop marketing campaigns for public health products that are retailed by small enterprises. The

incentives are short-term and aimed at stimulating demand, and once the market for the products is proven, the producers can use their own resources for advertising.

Social Marketing of Health Products

UHT Milk and ITNs in Uganda

MEDA became involved in marketing ultra high temperature (UHT) processed milk and insecticide-treated nets (ITNs) to help develop sustainable, market-based systems for promoting and distributing public health products. The UHT milk project seeks to increase the availability of clean, affordable milk throughout the country, especially for children. The ITN project aims to reduce malaria by increasing use of effective mosquito netting. MEDA is helping competing medium to large manufacturers market these products, which are to be sold by small-scale retailers. MEDA also provides them with technical assistance and short-term subsidies to help them develop marketing campaigns and to invest in and adopt the technology they need to produce the new products. UHT milk production in Uganda has grown to 40,000 liters per day. Over 500,000 ITNs have been sold in Uganda.

Support Existing Market Systems

MEDA's second lesson is that it is better to strengthen an existing market system than it is for an NGO to try and outperform the private sector. MEDA abandoned its attempts at developing social enterprises because they were neither profitable nor sustainable and they were not necessarily better for the poor. In fact, MEDA saw how some of their efforts had strengthened the private sector in ways that did work to benefit the poor. MEDA learned that in supporting broader market systems, their development efforts could lead to longer lasting, more widespread change. It also realized the importance of:

1. Building the capacity of existing private sector traders;
2. Partnering with entrepreneurs of integrity;
3. Stimulating competition among traders in accessing poor producers;
4. Building alliances among exporters to reach high volume markets and create a market position as a country;
5. Ensuring sufficiently strong links all along the value chain to enable producers to reach the final market; and
6. Ensuring proper inventory control.

1. Building the Capacity of Private Sector Traders

MEDA's efforts in social enterprise were small-scale and not very profitable. Often, however, just the fact of their existence stimulated competition among other traders who were profitable and able to offer viable markets to large numbers of poor producers over the long term. Contrary to MEDA's assumptions about exploitative "middlemen," these traders offered beneficial trade to farmers because they were competing for the farmers' business. In its recent projects,

MEDA is building the capacity of existing firms and cooperatives, rather than launching new NGO or member-owned trading companies.

Building the Capacity of Private Sector Traders

PROARTE in Nicaragua

At its peak, PROARTE—a MEDA-owned trading company—had sales of US $440,000 and reached major international buyers such as Pier One. However, its product development and production training activities were very costly and PROARTE was not profitable. MEDA closed the firm, but two of its managers now own and run craft export businesses from Nicaragua.

ASOPROF & ASOMEX in Bolivia

ASOPROF, a MEDA supported farmer cooperative earned as much as US $54,000 in profits from trading beans, but ASOMEX, the bean trading firm owned by ASOPROF and MEDA, was unable turn a profit exporting beans. ASOPROF and several private traders are now trading beans and buying from target farmers.

From Behind the Veil in Pakistan

MEDA's new project in Pakistan is building the capacity of women entrepreneurs to trade in high value embroidered garments. MEDA is helping these women upgrade product quality and design and plans to replicate this business model to expand its assistance to women in other regions of the country.

2. Partnering With Entrepreneurs Who Have Integrity

MEDA learned in its experience with cooperatives and social enterprises that a specific type of leader is required to be successful when trading with the poor in ways that benefit the poor. Such leaders are neither exploitative "coyotes" out to make a quick profit at the expense of others, nor are they idealistic community organizers attempting to provide the poor with a "fair" price for their products. Rather, the best leaders are entrepreneurs of integrity and conscience. To succeed in trade, one has to be an entrepreneur who is willing to take risks, work long hours, recognize and seize opportunities, and negotiate creative deals. At the same time, if trade is to benefit the poor, the trader must have integrity. This does not necessarily mean that traders have to have only the interest of the poor at heart. But, to satisfy high value markets, which can provide higher prices for traders and producers alike, traders do need to establish trusting, long-term relationships with both suppliers and buyers. Honest relationships with buyers give traders access to information on market trends and new production requirements, and they also get a frank assessment of their own product quality, and are able to build lasting market relationships. When they have honorable, long-term relationships with small-scale producers, traders are able to invest in quality production that results in higher prices for both traders and producers. Integrity and entrepreneurship are essential characteristics needed to build high value market relationships.

Work with Entrepreneurs of Integrity

Haitian Cocoa

When the Haitian cocoa project ended, the cooperatives with entrepreneurial leadership thrived by finding buyers in Haiti.

MEDA Trade

This company was unable to compete with private sector traders in selling cocoa in part because of the dedication of private sector traders who would "sleep at their computers" in order to get the best morning cocoa price.

PRODUMER

Initially PRODUMER attempted to organize farmers to invest in a trading firm, assuming they would want ownership and control of trading activities. But, the farmers were not interested, being more concerned with getting the best price for their sesame product. The project is now working to build trust between farmers and traders so that the contracts—which help farmers access inputs and traders access quality sesame—are beneficial for, and honored by, both parties. Because of historically poor deals and a lack of trust, farmers who receive loans or inputs-in-advance from traders often sell to other traders who offer a better price. This is a common challenge in agricultural markets.

3. Stimulating Competition among Traders

MEDA understands that one of the best ways to keep traders honest is to ensure that there are a number of traders that producers can choose from when selling their products. In some of its early projects, MEDA businesses inadvertently stimulated competition among traders, a situation that ended up benefiting the producers. Now, identifying and stimulating competing buyers is a core part of MEDA's strategy.

Stimulate Competition

ASOMEX

ASOMEX, the MEDA-and farmer-owned trading company in Bolivia, was launched to trade beans, a new crop for Bolivian farmers and traders. Once ASOMEX got started, several other exporters got involved in trading beans. Beans now make up 2% of Bolivia's agricultural exports. Although ASOMEX was not profitable, the market thrived.

PRODUMER and From Behind the Veil

In PRODUMER in Nicaragua and Behind the Veil in Pakistan, MEDA works with existing traders to provide producers with a selection of high value buyers from which to choose.

4. Building Alliances among Traders

MEDA also knows that traders from one geographic area often need to form alliances in order to become identified internationally as a reliable source of high quality products, and/or to satisfy demand for high volume. Traders in poor countries sometimes have limited market information, capital, and capacity to access international markets. In these situations, associations or informal alliances of exporters can help build the capacity of a large number of traders. Alliances can also help improve the country's competitive position in a specific crop or product market. And, MEDA can reach more producers by working with an alliance of traders than it can by working with just a few hand-picked traders or cooperatives.

Building Alliances among Traders

COFAM in Nicaragua

COFAM formed an alliance with its competitor to pressure the Mexican government to live up to its agreement to allow Nicaraguan beans to be imported into Mexico.

PROCOR in Bolivia

Bolivian bean marketers banded together to fight side-selling to bean smugglers and to coordinate marketing strategies for specific markets.

5. Ensuring Sufficiently Strong Links All Along the Value Chain

Many efforts to assist poor producers focus on helping them increase output and efficiency, while others focus on finding buyers. MEDA has found that helping poor producers reach markets involves ensuring that all the links in the value chain are working. MEDA has learned that an effective marketing project must understand what the market wants, i.e., price, quantity, quality, color, shape, size, etc., and ensure that producers have the means to satisfy that need. Farmers need to have the appropriate seeds, harvesting and post-harvesting equipment, good handling practices, storage facilities, efficient purchasing systems (with sufficient competition), affordable and effective processing/selection systems, and viable, competitive market channels. Additionally, the links between the businesses performing these functions should be strong. If key functions in the value chain do not work properly, efforts in other parts of the chain may be hampered. While it might be challenging for one organization to address multiple issues in a limited timeframe, it could be possible to select value chains having relatively few market problems, or to partner with another organization to ensure that a range of issues can be addressed.

Ensuring Market Linkages

COFAM, Nicaragua

Based on its experience with beans in Bolivia, MEDA embarked on a similar project in Nicaragua, COFAM S.A. (Bean, Rice and Corn Marketing Corporation). Initial research pointed to very acceptable margins between prices paid to producers and those paid by wholesalers in the local market. However, the study did not account for corrupt and nepotistic market relationships between established buyers and sellers, which left COFAM scrambling to find alternative products and markets.

PROCOR, Bolivia and From Behind the Veil, Pakistan

In contrast, MEDA's more recently designed projects, PROCOR in Bolivia and From Behind the Veil in Pakistan, conducted more in-depth market assessments that examined the entire value chain. They designed program activities to resolve a wider range of issues to help producers reach markets. PROCOR has introduced new seeds and certification process for them and it also has helped exporters break into more competitive markets.

6. Ensuring Proper Inventory Control

A key function in the value chain that often goes ignored, but that MEDA found to be essential to marketing success is inventory control. Issues include:

- Proper storage to avoid spoilage, breakage, and theft;
- Quality control that ensures poor quality products are not accepted;
- Price hedging or understanding when to buy and when to sell to maximize profits, and to avoid the risk of buying too high and selling too low;
- Ordering, tracking, and delivering inventory, and having sufficient information to know what product is on hand and when to purchase more to meet large orders on a timely basis; and
- Accounting to ensure proper payment and invoicing.

These activities are often challenging for cooperatives and traders the project might support to help producers reach markets. MEDA experience suggests that development organizations need to bring this type of expertise to bear when undertaking marketing projects.

Ensuring Proper Inventory Control

PROARTE in Nicaragua

Inventory control was a consistent financial challenge for PROARTE. It hid losses by not accounting properly for inventory and keeping too much capital tied up in inventory. It also experienced breakages due to poor handling during storage.

ASOPROF and PROCOR in Bolivia

ASOPROF held on to product for too long hoping prices would rise and when they didn't, it lost money. Similarly, another cooperative supported by the PROCOR project stored peanuts for several months as it waited for prices to rise, and experienced losses when they spoiled during storage.

Link Businesses to Credit, But Don't Link Business Development and Financial Services

Since its founding MEDA has been involved in delivering both financial and non-financial (enterprise development) services and it has learned many lessons along the way. Early on—when it helped churches extend credit to parishioners in the 1950s—MEDA learned that providing credit required professional skills and an institutional differentiation from charity activities. Later, MEDA loaned money to cooperatives while also providing them with technical assistance. This led to conflicting roles for staff acting as both advisor and lender. MEDA now separates its financial and marketing functions institutionally, and it supports microfinance institutions delivering micro credit sustainably. Nevertheless, in its social enterprise initiatives, MEDA invested funds directly into business ventures, but was unable to fully recover its investment in a number of instances. Recently in Peru, MEDA supported a complex, syndicated credit initiative in which input suppliers, a microfinance institution, rice buyers, and farmers were meant to share the risk of lending. MEDA's role was to provide agricultural production tracking technology, but the system proved difficult to manage and it effectively locked farmers into one buyer, so MEDA has stepped back from this approach as well. Over the years, MEDA learned the value of not mixing finance with business development.

Nevertheless, MEDA recognizes that small producers usually need some form of credit to diversify into new crops, increase production, or improve quality or productivity. MEDA is now experimenting with strategies to help small producers access credit through "parallel" programs that give clients access to finance through different, but coordinated initiatives. In one model, MEDA develops a value chain by enhancing market links, stimulating 'commercial' BDS markets that serve the value chain, and supporting embedded services to producers. In the same project, MEDA also contracts with an MFI to lend to the microenterprises. Collaborative agreements help clients access both financial and enterprise development services. MEDA is documenting this experience and sharing it with the microenterprise development community.

Linking Business to Credit

PRODUMER, Nicaragua

The PRODUMER project in Nicaragua aims to increase productivity for sesame farmers through technical assistance in production, marketing support, and access to credit. MEDA contracted with a rural credit institution to manage a loan fund, which could only be used for PRODUMER clients. The MFI lends on terms similar to those of its regular clients (36% APR), and makes its own decisions about which clients are creditworthy. In its first three years, arrears for the 400 PRODUMER-affiliated borrowers are negligible. More significantly, the MFI is now preparing to open a branch office in the project zone to increase rural lending in the area.

Farms to Markets, Tajikistan

MEDA is developing the fruit and vegetable sub-sector in the fertile Ferghana Valley of Northern Tajikistan to assist small farmers and processors to upgrade products and reach more profitable markets. MEDA works with the National Association of Business Women of Tajikistan (ABW), an established MFI, to improve storage facilities, forge links between processors and farmers, and develop appropriate loan products to increase efficiencies and profitability for stakeholders in the sub-sector. The horticultural development project and the MFI have signed an agreement to refer clients to each other and MEDA is funding both initiatives. Neither program is under obligation to serve the others' clients.

Match Responses to the Unique Circumstances of Different Entrepreneur Groups

Knowing that entrepreneurs differ in degree of access to opportunities, capacity to exploit them, and personal interests, MEDA designs projects and methodologies that recognize these differences and tailors its activities to help everyone gain equitable access to economic opportunities.[11] For example, MEDA's economic development strategy provides women with equal opportunity to become business partners, suppliers, clients, employees in its initiatives. It understands that its programs can have a strong impact on women entrepreneurs when the project design is sensitive to, and directly addresses, the often unique socio-cultural and economic circumstances they face. MEDA takes a "gender in development" approach, rather than a "women in development" approach and realizes that a similar logic needs to be followed for all distinguishable 'categories' of entrepreneur it aims to assist—seek, identify and assess differing circumstances and needs, and tailor project design to suit each.

[11] Such as differences in access to investment capital, prior business experience, specific and general business management skills, legal status, age, or gender-derived differences in social circumstances.

Responding to Women's Specific Needs

Mbeya Oxenization, Tanzania

The project was motivated in part by extreme labor shortages, which contributed to high polygamy rates and a significant labor burden for women. Ox-drawn equipment is usually seen as men's work so women often do not want to be involved with it. The project initially had this problem until it hired female extension workers and developed a marketing campaign targeted to women. Eventually one third of technology adapters were women.

PROARTE, Nicaragua

This export business was launched in part to benefit women since craft production is a key source of income for them. Its innovative approach in attempting to reach women on a sustainable basis won PROARTE a prize.

New Initiatives: Pakistan, Tajikistan, Afghanistan

MEDA is launching initiatives targeting women in Pakistan, Afghanistan, and Tajikistan that seek to improve women's income as well as their economic and social positions in the marketplace and family.

Employ a Learning Process

Perhaps MEDA's most significant lesson is to learn from experience. MEDA builds a learning process into development initiatives, and is open to new opportunities as they present themselves. Two stages of learning merit attention here:

1. ***In-Depth, Relevant Market Research:*** Pre-project market research is essential and MEDA consistently conducts in-depth, relevant research on all target markets;

2. ***Adjusting Projects During Implementation:*** MEDA adjusts projects mid-stream based on project progress and changes in market opportunities.

1. In-Depth, Relevant Market Research

MEDA has learned the importance of thorough and relevant market research as part of effective project design. Early market research efforts were conducted by external consultants who researched the basic viability of business opportunities MEDA was considering. Later market research focused on market opportunities in the selected product market and assessed a country's competitive position to understand what producers needed to do in order to compete. More recently, MEDA has examined both the product market, and the market—among producers and traders—for business development services MEDA intends to support. In addition, MEDA is more involved in the market research, and engages local partners in conducting it. This recent approach seems more thorough and more relevant to project design.

Market Research

Agronegocios in Peru

Prior to investing in Agronegocios, MEDA hired a consultant to conduct due diligence. However, the assessment overlooked critical information and overestimated the firm's book value.

PRODUMER in Nicaragua

MEDA worked closely with a consultant to assess global market opportunities for Nicaraguan sesame. The study identified several ways in which Nicaraguan producers needed to improve production in order to compete and MEDA designed the project to help producers overcome these production constraints.

From Behind the Veil in Pakistan

MEDA worked with ECDI, a Pakistani NGO, to understand the embroidered garment value chain, market opportunities, and the market for services that support the industry. Their understanding of these markets helped MEDA design a strategy to strengthen marketing links that could help home-bound rural women sew the modern designs that urban markets demanded.

2. Adjusting Projects During Implementation

In many MEDA projects, managers adjust the strategy mid-stream based on learning in the field, or from other MEDA projects. One way they share challenges and discover lessons learned is through the organization's Annual Review and Plan of Operations meeting. In this meeting, managers present projects to each other with the intention of identifying lessons learned and sharing and resolving challenges. This and MEDA's inherent learning culture assist the managers in adjusting their projects.

Mid-Project Adjustments

Mbeya Oxenization, Tanzania

Project managers adjusted strategies mid-stream by hiring women extension agents and devising strategies to reach rural women.

Agro Monitor

MEDA initially developed Agro Monitor to track agricultural inputs, costs, and outputs for a rice trading firm. It then experimented with it in a syndicated credit initiative, also with rice farmers, and is now testing it further with a view toward commercializing it.

Summary—The Four Stages of MEDA's Transition

These lessons reflect MEDA's changing business development strategy, which has evolved in parallel with global business development approaches. The basic stages were:

1. Direct business development, often combined in some way with credit. Although it usually had a positive impact, it was expensive, small-scale, and unsustainable;
2. Separation of minimalist financial services from business development services;
3. The *Project, Program, Business* strategy, a social enterprise approach in which MEDA entered the market as a trader to link the poor to high value markets; and
4. *Production and Market Linkages (PML)* strategy, a market development approach in which MEDA strengthens production and market links by addressing failures in product markets that link the poor to consumers, and in service markets that help product markets function well.

Throughout this evolutionary learning process, MEDA has been involved with the field of business development services and its enterprise development program has evolved along a path similar to that of the BDS arena.[12] This is due in great part to the many contributions MEDA has made to global learning around BDS and its willingness to share program experience. Concurrent with self-examination and its development of the PML strategy, MEDA has encouraged its staff to attend BDS trainings and seminars. The wealth of information on global BDS frameworks they have gathered as a result of these educational opportunities have added much to MEDA's strategic development process. The PML strategy described in the following section is based on MEDA's mission, values, and experience and is in line with global best practices.

[12] ILO BDS Reader Primer, 2003

4 The Production and Marketing Linkages Strategy

MEDA's current SME development strategy, *Production and Marketing Linkages (PML),* evolved from those that preceded it. As MEDA learns from its experience with the PML, the strategy is likely to continue developing and changing.

Mission and Values

As part of MEDA's overall Product Line Strategy,[13] the PML:

- Re-affirms MEDA's mission and values of business-oriented economic development for the working poor; and
- Incorporates the familiar goal of increasing small and medium enterprise (SMEs) net incomes by improving sales and efficiency and helping them participate more fully and fairly in global and local markets.

Objectives

However, MEDA's objectives are new:

- Strengthening the competitiveness of industries (value chains/sub-sectors) that engage SMEs and the position SMEs hold in these industries;
- Improving market links all along value chains that incorporate SMEs to give SMEs access to a range of competing buyers and input suppliers; and
- Ensuring the value chain incorporates, and has sustainable access to, BDS that continuously improve the industry's capacity to respond to market demand.

Services

The services that MEDA typically helps SMEs access are:

- Market research and information;
- Product design or specifications;
- Quality control;
- Technology;
- Production technical assistance;
- Business management advice;
- Information and specifications to improve input supply; and
- Access to credit.

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[13] Product Line Strategies 2004-2007, MEDA, 2004

Typical MEDA Project Activities

- Train designers and/or agricultural production and marketing consultants to better read market signals and develop training and consulting packages suited to exporters in a target industry. Create an awareness of the potential opportunity of selling these services to exporters.
- Stimulate exporters to purchase design and/or consulting services by educating them about their global competitive position, and how to improve it by improving product quality, timeliness, etc. Perhaps subsidize first-time purchase of the services from trained consultants.
- Train exporters to work with producers and/or traders down the value chain to communicate production specifications and advice ultimately to SME producers. Train exporters in appropriate contracting terms and mechanisms that support quality production and fair pricing.

Service Delivery Method

The service delivery method is two-fold:

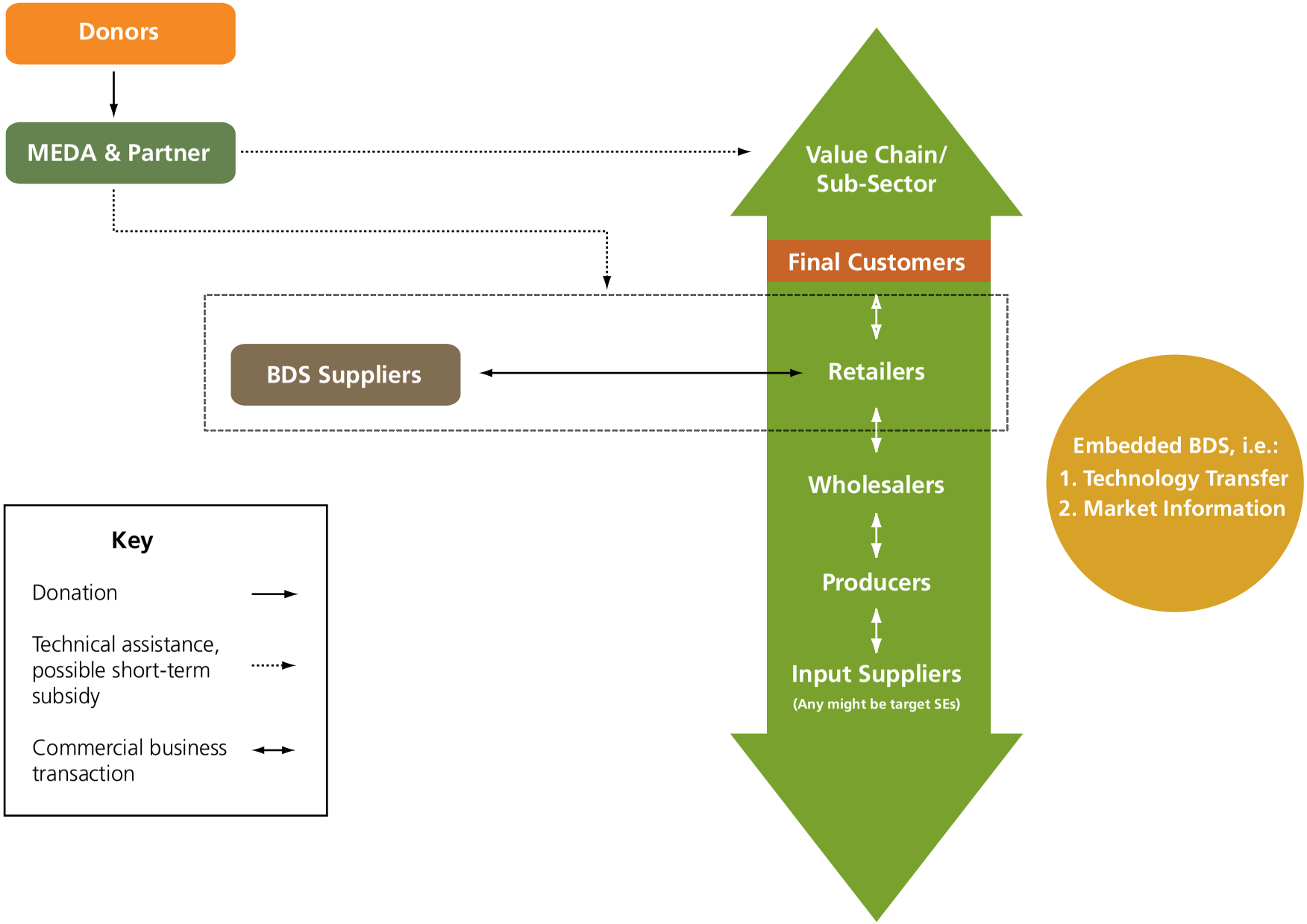
- Services are incorporated into the value chain and delivered to SMEs by input suppliers or buyers as part of their regular business dealings. These suppliers and buyers may be called service providers in their role of building SME capacity to produce to market demand.
- A vibrant, competitive BDS market provides input suppliers and buyers with access to a range of services provided by commercial service suppliers such as consultants, trade groups, or equipment suppliers.

Figure 1[14] illustrates the links between various commercial markets that MEDA might strengthen—markets that ultimately serve SMEs. In this model program, MEDA receives donor funding and uses it to develop target value chains and the BDS markets that strengthen them. The *From Behind the Veil* project is supporting the ***hand-made garments value chain*** to help rural, home-bound embroiderers, the key producers, who need to use modern embroidery designs in order to obtain a higher price for their work in urban shops. In this sub-sector, it is the retailers who drive the market so MEDA is helping them sell modern, more marketable embroidery designs. MEDA is working with local designers and stimulating demand for design services among the retailers who will ultimately purchase design services from local designers. In this process, MEDA is developing ***BDS Market 1*** for design services. The retailers transfer the design specifications to wholesalers, who give them to rural producers. At this point the design services are embedded in the value chain, as represented by ***Embedded Services 1.*** MEDA is also increasing the number of wholesalers able and willing to work with rural producers and train them in the new designs, and it is building the capacity of wholesalers. This is direct development of the ***value chain.*** In different markets, there may be several BDS markets that serve different businesses in the value chain, as well as many embedded services. Drawings such as that in Figure 1 can help distinguish among these markets and clarify appropriate project activities.

[14] Adapted from the SEEP Program Design Tool, 2003.

Figure 1: Model MEDA Project

The Relationships between Donor, MEDA, and Target BDS Markets and Value Chains



Project Activities

MEDA's project activities focus on:

- Strengthening market links along the value chain;
- Facilitating development of the BDS markets that serve the value chain; and
- Helping input suppliers and buyers incorporate BDS into their normal trading relationships.

Principles

MEDA applies best practice principles in its work. It does not deliver services directly to SMEs nor does it subsidize transactions in the BDS markets or value chains it supports. Upon exiting from the market systems, MEDA will leave behind sustainable, expanding markets. MEDA subscribes to the Donor Guidelines on BDS market development and best practices in value-chain development.[15]

Partners

MEDA works with a wide range of partners and seeks donor and private funding to support its work. It works with the partners and funders to meet mutual goals and objectives. It seeks NGO partners in countries where it is developing projects and works with them to design and implement enterprise development initiatives. MEDA and its partners build the capacity of enterprises, business associations, and industry specialists to strengthen value chains and BDS markets.

Project Design Process

The PML strategy is perhaps best understood through the project design process:[16]

1. Select a product value chain or sub-sector to target based on its ability to reduce poverty and a demonstrated demand for the product;
2. Research the value chain to identify the key market opportunity for target clients and identify the critical constraints for target SMEs reaching this market;
3. Select the priority services that SMEs need to reach these markets. The services should address the critical constraints to reaching markets and be practical to deliver, and there should be SME demand for them. Services might include:

    - Market information about potential market opportunities, industry benchmarks, and a competitive analysis of target producers;
    - Improved information exchange and market relationships among different businesses in the value chain;
    - Design services, or access to crop specifications;
    - Production-related technical assistance to help producers respond to market demand;
    - Input supply; and
    - Improved packaging, processing, inventory control, and/or transportation services.

4. Assess the business service market and the demand for services, and focus on the specified services. Identify service suppliers who do or could provide the services.

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[15] Committee of Donor Agencies on Small Enterprise Development, 2001

[16] SEEP Program Design Tool; Action for Enterprise, www.actionforenterprise.org

These providers are often the buyers of the product or input suppliers who could enhance their commercial dealings with SMEs by incorporating better advice or other services into their business package. Assess their capacity for provision and develop a viable business model for profitability in serving SMEs.

5. Identify program activities to help service providers stimulate and meet SME demand for services and develop a plan that encourages them and builds their capacity to serve SMEs profitably. Likewise, consider activities that can stimulate demand for services among SMEs and design strategies to strengthen value chain market links. Be clear about the problems each project activity is solving and whether this might be done better or more sustainably by the private sector. Focus project activities on things that are needed only in the short run and that cannot be profitably delivered by businesses currently operating in the market.
6. Design an exit strategy to ensure that the services are available over the long-term and that SMEs can reach new markets over time. Whenever possible, transfer project activities to the private sector.
7. Establish performance and evaluation targets. The goal is to increase SME sales and efficiency (i.e., income); the objective is to help them reach high-value markets; and the strategy is to develop sustainable business service markets that serve these value chains.

Although these steps can be taken in different order, the PML strategy involves addressing these issues during the project design phase and incorporating key lessons learned during implementation.

The PML strategy is in line with the global strategy of BDS market development and incorporates the guiding principles articulated by the Donor Committee on Small Enterprise Development.[17] The PML strategy is, however, unique to MEDA in several ways:

- It is market-driven with a focus on helping SMEs reach rewarding markets;
- It is sector-focused because the best way to help SMEs reach markets is to focus on the value chains that get their products to markets;
- It focuses on producers and on helping them improve production to reach markets; and
- It focuses on market links and on improving the relationships along the value chains that get SME products to market.

MEDA's PML strategy is also unique in that it incorporates a flexible learning approach. MEDA expects to continue learning from its experience as it implements the strategy, and it will continue to share this learning with the global SME development community.

[17] BDS Reader Primer 2003; Committee of Donor Agencies on Small Enterprise Development, 2001.

PML Strategy: From Behind the Veil in Pakistan

"The majority of women in rural Pakistan are marginalized by poverty, home confinement, and geographic isolation. The proposed program will reduce the poverty of poor, homebound women embroiderers in three conservative areas of rural Pakistan by helping them access higher value markets in the embroidered garment sub-sector. The quality of the embroidery of rural women is excellent, but products are generally sold into low-value, traditional markets through monopolistic buying channels. Since buyers are usually men and transactions must therefore take place through a male family member, confined women do not have the knowledge or opportunity to develop products for alternative markets. At the same time, there is a growing middle class of Pakistani women in urban centers who seek out high quality, hand-embroidered garments in contemporary styles and who are willing to pay a premium for them. Our program will develop commercial BDS markets that will overcome social barriers and limitations in the value chain and enable rural embroiderers to reach affluent consumers and realize a higher return on their labor.

The program will develop three BDS markets to achieve the program goal.

- First, we will expand and replicate a fledging business model of mobile women sales agents who deal directly with rural embroiderers, embedding product information and contemporary designs in their service. Through face-to-face, woman-to-woman business transactions, gender relations will be adjusted in a culturally sensitive manner to enable poor homebound women to earn more for their labor and be more economically empowered within the household.
- Second, we will expand and replicate a similar sales agent model for micro garment makers who are urban women and have limited mobility. Women sales agents will create linkages to both raw materials—quality hand-embroidered fabrics—and to more profitable consumers via retailers, exporters, and exhibitions.
- Finally, we will stimulate the supply and demand of commercial design services to the sub-sector and facilitate the flow of this valuable information throughout the value chain, reaching down to isolated rural women living in poverty.

Program targets over three years are to directly reach 6,000 poor rural homebound women embroiderers and raise their revenues two to three times; recruit and develop 60 women sales agent entrepreneurs; facilitate market access of 180 urban micro garment makers; and involve 9 commercial designers in the sub-sector.

We will support the growth of three commercial, vibrant, and competitive BDS markets and development of a viable sub-sector. Program activities will focus on information sharing, the creation and strengthening of linkages, and training/mentoring—all with no direct subsidies to either the sub-sector or BDS markets. The result will be sustainable commercial BDS service markets within a viable and growing sub-sector that enable MEDA and ECDI to exit the market at the end of the program."

Extracted from MEDA's 2004 Implementation Grants Program proposal to USAID.

5 MEDA's Change Process

Since the publication of the Donor Committee *Guiding Principles for Business Development Services* in 2001, many organizations involved in SME development have struggled to incorporate this paradigm into their SME development strategies. The Guiding Principles emerged from a five-year discussion among practitioners, researchers, and donors and represented a significant departure from the common practice of many enterprise development programs. In sum, the principles advocate the end of direct, subsidized service delivery to SMEs by governments and NGOs. Instead, programs should help SMEs access a wider range of demand-driven services in a sustainable manner through commercial market systems.[18] This strategy is often called the *BDS market development approach.* The change was a radical shift for most SME development organizations. Many continue the struggle to adapt and disseminate the new approach in their organizations and programs. Adding to the challenge, the strategy continues to evolve. Many donors and practitioners now focus on strengthening value chains to help the enterprises reach markets. Many organizations find it challenging to keep up with the constant changes in the field, which are discussed at events such as the annual BDS Seminar in Turin, Italy and documented in the publications such as the annual BDS Reader.[19]

How has MEDA been able to create and disseminate a small enterprise development strategy aligned with both its mission and values and the market development approach? MEDA's experience may be unique in that it is a small organization focused exclusively on business development. But their story may also contain some useful insights for the whole range of organizations involved in developing SMEs.

Several elements in MEDA's change process facilitated a relatively easy strategic transition from directly providing services to strengthening market systems:

A. MEDA has long been engaged with the BDS field, contributing to the development of best practices by sharing its experience and debating the BDS market development approach, which it eventually adopted and adapted;
B. MEDA is a learning organization that supports risk-taking and learning through experience;
C. As MEDA was undergoing an institutional restructuring, it developed the PML strategy, which led it to focus on developing organizational and staff excellence in specific product lines;
D. The focus on specific product lines, and building their capacity to do so, gave MEDA staff the mandate to become experts in the field; and

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[18] Donor Committee on Small Enterprise Development, 2001
[19] BDS Reader, 2002-2004

E. MEDA obtained flexible funding that supported its learning and strategy development.

These elements are described in more detail below.

Engaging With the BDS Field

MEDA has both contributed to and skeptically embraced the BDS market development approach. Its PML strategy incorporates many elements of the approach, but stands on its own as MEDA's unique SME development strategy. Through its open sharing of lessons learned with the broader business development community, MEDA has contributed to the emergence of the BDS market development approach, which it initially was reluctant to embrace.

MEDA Dialogue with the BDS Community

- 1997 Presentation of ASOMEX to the SEEP Network Business Development Services working group.
- 1997 Inter-American Development Bank case study of ASOMEX: *Preliminary Survey Results and Case Studies on BDS for Microenterprise, Part III: Anatomy of a Marketing Company* (Goldmark, Lara, Microenterprise Unit, IDB, No. MIC97-101, January 1997).
- 1999 case study of PROARTE in the SEEP publication *Microenterprise Marketing: Issues and Lessons Learned* (McVay, Mary, SEEP Network, December 1999).
- 2000-2004 inclusion in the annual ILO BDS Reader.
- 2002-2004 participation in SEEP Practitioner Learning Program on BDS market assessment.
- 2003: PROARTE awarded the Gender Best Practices award from *Intercambio* (an NGO with support from the Dutch Development Corporation); PROARTE was presented at the ILO BDS Seminar.
- 2003: Presentation of Agro Monitor and syndicated lending at the SEEP Annual General Meeting.
- 2003: Presentation of Pakistan BDS market assessment experience at the SEEP State of the Art in BDS course.
- 2003-2005: Conducting a BDS course at Eastern College; preparation of a CD.
- 2004: Preparation of background paper for, and facilitation of, SEEP-sponsored on-line discussion "Reaching low-income women with BDS." Presentation of background paper and discussion synthesis at the ILO BDS Seminar. Facilitation of a session on reaching disadvantaged populations with BDS.
- 2004: Presentation of SEEP Practitioner Learning Program Market Assessment findings at the SEEP Annual General Meeting.

By sharing their experience with the global BDS community, MEDA has contributed to the evolution of the BDS market development approach. It demonstrated the potential and the limitations of a social enterprise strategy to contribute to sustainable business development for low-income entrepreneurs. In the 1990s, MEDA's social enterprise—or social venture capital—strategy was unusual in the SME field. In the 1990s, those working in SME development began emerging from an almost exclusive focus on microfinance and started paying attention to *non-financial services* that could help enterprises overcome constraints to stabilization and

growth. The field of business development services (BDS) emerged around the goal of helping small-scale businesses access services such as training and technical assistance as well as much needed assistance with marketing, infrastructure, policy advocacy, input supply, etc. The critical challenge for the field in the mid-1990s was sustainability.[20] MEDA's experiments with developing sustainable businesses to serve poor farmers and artisans represented a critical turning point and provided important learning not only for MEDA, but for the field as a whole. MEDA shared this learning with the BDS community. MEDA's contribution pushed the field forward. Over the years, MEDA has continued to share its experience with the BDS and SME development communities as the market development approach has grown and evolved.

Throughout, MEDA has remained skeptical of the BDS paradigm and this skepticism has enhanced development of both its strategy and the BDS field as a whole. Many development organizations find the BDS market development approach too commercially oriented and think it could leave the poor behind in its drive to promote sustainable, commercial markets for business services. In contrast, MEDA's skepticism stemmed from the fact that the approach wasn't sufficiently oriented to the market. There were two issues:

- MEDA's *Project, Program, Business* strategy envisions MEDA earning income from marketing businesses that buy from the poor, income that MEDA would use to sustain its development efforts. In this scenario, MEDA provided services directly through support to a single service provider. Adopting the BDS approach meant letting go of its own financial sustainability vision and objectives and divesting itself of the companies that it had created.
- The initial articulation of the BDS approach appeared to center on how to help SMEs access generic management and consulting services on a widespread and sustainable basis. The focus was on cross-sector business services that improved SME efficiency. MEDA, however, has always been dedicated to assisting micro and small producers reach markets and increase their sales by concentrating on specific sub-sectors and helping to strengthen value chains.

Discussions during retreats demonstrated to management and staff the overlap between MEDA's lessons learned and the Donor Guidelines on BDS market development. Its PML strategy emerged in line with the BDS market development approach as follows:

- Because MEDA was not earning profits as envisioned and recognized the benefit of producers having several buyer options, it accepted the concept of supporting several trading companies, rather than one; and
- The MEDA PML strategy combines both sub-sector and BDS market development approaches to help SMEs access commercial business development services that, in turn, help them reach markets.

MEDA was one of many organizations that adopted (and adapted) the BDS market development approach and they shared their experience with other practitioners. This type of interaction facilitated the evolution of the BDS market development approach to incorporate the sub-sector and value chain development methodologies.[21] MEDA's skepticism enriched both the organization and the enterprise development field. MEDA's learning culture, detailed below, was a critical element in this process.

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[20] Miehlbradt and McVay, 2003

[21] BDS Reader Update, 2004

Learning Organization

MEDA cultivates an atmosphere of learning and engages in specific activities to support continuous improvement in its development work. One of its core values is entrepreneurship, which encourages risk taking and learning from experience. Specific activities that support learning at MEDA include:

- An annual retreat with project officers that is considered a learning opportunity. Managers present their projects to each other to share experience and challenges, and seek advice, while technical advisors share information garnered from international gatherings and trainings that managers can incorporate into their project strategies.
- MEDA encourages and supports staff in attending international learning events and includes professional development goal in individual performance plans. Managers take this goal seriously and provide a budget and allocate time.
- MEDA also encourages staff to present its experience at international seminars and courses, not only to promote the organization, but also to enhance its strategy. When MEDA staff share experience, they rarely promote their work as best practice, but do present it as an innovative idea, inviting reactions and soliciting input. In this way, they contribute to the evolution of MEDA's enterprise development strategy.

MEDA's learning culture and the activities it promotes give managers an opportunity to reflect on their work, solicit and gather feedback, and share lessons with each other on a regular basis. In such an atmosphere, managers and staff are able to quickly adjust and improve their work, and to easily incorporate new approaches.

Focus on Excellence in Product Lines

In 2002, Alan Sauder became President of MEDA and initiated a process of self-examination and restructuring that supported development and dissemination of the PML strategy. Feeling that greater impact and sustainability could be obtained by developing centers of excellence in particular fields, MEDA made a decision to focus on product lines, rather than on customers/ donors, or clients/ target population. This reinforced its commitment to research and development; to hiring, developing, and retaining industry "stars", and to spending time and energy in learning what it takes to stay at the leading edge of the industry.[21] This focus has enabled MEDA to synthesize its experience in enterprise development into a strategy that is in line with both its mission and values and with global best practices.

The participatory nature of the restructuring process also facilitated dissemination of learning. MEDA staff were engaged in series of discussions in which staff determined that their business development work was fundamentally about enhancing production and market links. To them, this meant helping the poor improve their livelihoods by increasing production for, and market links with, high value markets. New projects began emerging as soon as the restructuring process was finalized. In fact, this occurred before any formal articulation of a new strategy.

[22] Management Report to MEDA Board, February 2003

Building Capacity

MEDA's focus on product lines provides staff with a mandate and challenge to specialize and become leaders in technical areas. The resulting capacity-building has been critical to the development of the PML strategy and its rapid dissemination throughout the organization.

Central MEDA technical staff began to build their expertise through training and by attending BDS conferences. During development of the PML strategy, MEDA technical advisors attended at least the following trainings and seminars:

- SEEP annual general meeting;
- ILO Market-Oriented Small Business Development Services certificate course;
- SEEP State of the Art in BDS course; and
- Annual BDS seminars sponsored by the ILO and SEEP.

MEDA technical staff transferred the knowledge and skills gained from these trainings and conferences to project managers at annual retreats and through mentorship of other staff at MEDA's central office and in the field.

At the project level, professional development activities center on developing specific technical skills, rather than on understanding the market development approach. Core values and the PML strategy are transferred through mentorship in project design and implementation activities, and their performance expectations. MEDA's recent participation in a global learning project also enhanced central and field expertise.[23]

MEDA's partners are also on board with the PML strategy. As the PML emerged, MEDA had already concluded that investing in trading firms was not profitable and it was in the process of divesting itself from these firms. The new strategy, by and large, required new types of partners. Although MEDA continues to partner with cooperatives, it is increasingly working with intermediaries, exporters, wholesalers, NGOs, and business associations of entrepreneurs, exporters, and producers. MEDA invites their partner organizations to participate in international trainings, seminars and learning activities. For example, both MEDA and ECDI in Pakistan were partners in the SEEP Practitioner Learning Program on BDS market assessment. MEDA technical staff also engage in on-going learning exchanges with partners, which helps both learn and grow from the affiliation. In this way, MEDA not only disseminates its strategy, but also enhances its own learning experience and strategic development through partnerships.

Flexible Funding

MEDA's strategic development process was greatly facilitated by flexible funding from three sources:

- "MEDA Bucks," charitable contributions by MEDA members (over US $1.0MM annually);
- A USAID Private Voluntary Corporation (PVC) institutional development grant (October 2001 - March 2005; US $1.2MM); and
- A CIDA NGO Voluntary Sector Development institutional strengthening grant (July 2004 - June 2006; US $1.2MM).

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[23] The SEEP Practitioner Learning Program in BDS Market Assessment. www.seepnetwork.org

This type of funding pays for staff retreats, staff development, and project evaluations; and it financed MEDA's restructuring and the articulation of its PML strategy.

Conclusion—The Change Process

Many small enterprise development organizations and programs are struggling with the new BDS market development approach and how to adapt it to, and disseminate it throughout, their organizations and projects. The MEDA story illustrates how one organization transformed its enterprise development strategy, gradually and from within, but in dialogue with global guiding principles in the BDS field. One key to MEDA's successful transition was MEDA's learning culture and willingness to engage in global dialogue. MEDA contributed to the development of global guidelines by taking risks and sharing the lessons it learned. Their strategy was devised through honest analysis and open debate and it was easily disseminated because it was developed with staff participation and it was a gradual internal process of evolution. There is little doubt that MEDA's PML strategy will continue to evolve as MEDA implements it and confronts new challenges.

6 Current Challenges and Future Questions

MEDA has created development impact and contributed to the enterprise development field by facing critical business development challenges head on, taking risks, and sharing its experience with the development community. MEDA will continue to do this as its PML strategy takes hold and continues to evolve. Some of the challenges MEDA is addressing are described below.

Is There Enough Business in BDS?

Many organizations are skeptical about BDS because there is too much *business* in it, but MEDA's skepticism derives from its concern that there may not be enough *business* in it. The PML strategy, in line with the BDS market development approach, keeps MEDA out of the market, out of business and this raises the question—how might MEDA sustain its market development activities? Many other organizations are asking themselves that very same question.

Gender: The Challenge of Reaching Low-Income Women

PROARTE in Nicaragua received an award for reaching low-income women, but was forced to close because it was not financially viable. MEDA is launching three programs aimed at developing markets in which low-income women are key producers. Can it work? MEDA does not subsidize or direct private businesses to serve women, but is there a way to stimulate the market to serve women better? Won't entrepreneurs sell to the highest bidder and isn't that good business? These challenges are typical of market-based programs attempting to reach women and MEDA's experience in this area is bound to contribute to the global learning agenda.

Reaching Poorer Clients

Historically, MEDA has focused on the productive poor, but within this target group are families with a wide range of income and asset levels. Recently though, MEDA designed an initiative to reach a particularly marginal group—home-bound women in rural Pakistan. MEDA is also interested in strategies to help the rural poor who produce primarily for subsistence and have not had much success in managing commercial activities. How can markets reach and benefit this group?

Complexity of Markets and Partnerships

As complex as running a marketing business may be, stimulating the development of markets is even more complicated. In Peru, MEDA was involved in the design and implementation of an agricultural production tracking system for a syndicated credit initiative in which input suppliers, MFIs, and rice processors shared the risk of lending to farmers. In another example

in Nicaragua, MEDA is developing innovative contracts between sesame growers and traders to encourage farmers to stop "side-selling." MEDA is learning how to navigate complex relationships such as these that are typical of market development initiatives.

Helping SMEs Access BDS and Credit

MEDA's past strategies for offering a combination of financial and business development services did not work. Although SMEs need both, MEDA acknowledges that it is not good practice for a single program to deliver them in tandem. What types of program strategies can help SMEs access the full range of services they need to stabilize and grow?

Funding Sources

In the past, MEDA has benefited from institutional strengthening and learning grants, but these are becoming very scarce. How can MEDA continue its professional development and learning activities without such flexible funding? MEDA's central technical staff must bill their time to projects and sell their technical services as trainers and consultants. Will this consulting role distract from MEDA's focus on its own PML strategy? In an era of limited funding in which many donors continue initiating projects that do not follow the donor guidelines, many enterprise development organizations and programs face these challenges.

Closing—Meeting New Challenges

MEDA is facing many of the same challenges as the BDS field as a whole. Since 1953, MEDA has taken risks to solve economic development challenges using business-oriented strategies. It has used lessons learned from this experience to develop a new *Production and Market Linkages (PML)* strategy. This strategy reflects MEDA's core mission and values, and its dialogue with global practitioners. It is the result of a learning culture that will continue to enhance MEDA's ongoing learning process and the innovative programs it designs and implements to benefit the world's working poor.

Annexes

Annex A: Timeline of Recent MEDA Projects

NAME	Haitian Cocoa	ASOPROF & ASOMEX	Mbeya Oxenization	PROARTE	PROCOR
DATE	1984-1992	1985-2002	1986-1993	1996-2002	1998-2002
COUNTRY	Haiti, rural	Bolivia, rural	Tanzania, rural Mbeya	Nicaragua, urban	Bolivia, rural
BUDGET	US $2.6MM	$350,000	CAD $3.6MM	US $335,800 (investment)	US $2.16MM
SECTOR	Cocoa	Beans	Agriculture – Maize	Crafts	Beans & peanuts
MARKET	US (Hershey)	Regional: Brazil	Tanzania	US (Pier One)	Japan, Brazil, Colombia
CLIENTS	2,600 farmers	1,500 farmers	3,117 farmers – men & women	15 artisan workshops, many women	3,000 farmers
PARTNERS	12 rural cooperatives	ASOPROF is a cooperative of farmers; ASOMEX was a private firm owned by MEDA & ASOPROF	Government Uyole Agricultural College 3 private firms	PROARTE was formed as a private firm by MEDA 15 artisan workshops	3 producer associations
SERVICES	Marketing cocoa Production TA, credit, market information	Production assistance to grow a new crop; Formation of cooperative and a bean export firm, ASOMEX.	Development & dissemination of animal drawn technology (plows, carts, etc.)	Marketing crafts; enhancing production processes	TA in production, marketing and management Credit, Infrastructure
SUCCESSES	11 sustainable cooperatives 2,100 MT Cocoa shipped 100% increase in returns to coop farmers 38% increase to non-coop farmers $4.126 M in direct benefits	Bean – a new crop for Bolivia – represents 2% of agricultural exports. ASOPROF a sustainable cooperative; ASOMEX, in and out of profitability, is now profitable under ASOPROF ownership. MEDA sold shares back to ASOPROF	2,000 implements sold 3 private firms sustainable .5 tons per acre increase in production 30% women accessing technology	Reached mainstream markets Annual sales of $440,000 2 profitable firms Won a gender prize	2 profitable associations New markets reached 30% Increase in farmer income
CHALLENGES	MEDA operations and market linkages were not profitable or sustainable.	ASOPROF stimulated competition that outperformed ASOMEX.	May have reached more farmers if worked with private firms sooner.	PROARTE not profitable, closed by MEDA	Weaknesses in one association created difficulties in sustainability. Greater impact could have been achieved working with private middlemen.

NAME	COFAM	AGRONEGOCIOS	PRODUMER	Uganda Dairy Processors Assistance Program	Uganda ITN Market Development Project
DATE	**1999-2004**	**2001-2003**	**2002-2005**	**2002-2005**	**2000-2005**
COUNTRY	Nicaragua, urban	Peru, San Martin	Nicaragua	Uganda	Uganda
BUDGET	US $490,000	US $124,000	US $1MM	US $800,000	US $425,000
SECTOR	Beans	Rice	Sesame	Ultra high temperature long life milk products	Insecticide Treated Mosquito Nets
MARKET	Regional	National rice market	International Markets	National	National
CLIENTS	600 farmers	2,157 farmers	850 farmers	Milk consumers and traders in Uganda; dairy farmers Large dairy processing firms.	Low-income Ugandan families; Small-scale mosquito net traders
PARTNERS	COFAM formed as a private firm	2 individual investors and MEDA invested in Agronegocios, a rice trading firm.	Individual producers, cooperatives, exporters, government	Uganda Dairy Processors Association; National Diary Producing companies	Quality Chemicals, SMI Safi Net, ITN Business Association
SERVICES	Marketing beans Production TA, Credit	Marketing rice; production assistance with new technology	TA in production, marketing assistance, credit, institutional strengthening for coops	Subsidies to dairies for UHT processing equipment and promotion activities; Technical advice; advocacy	Subsidy on ITN promotion activities;
SUCCESSES	Black bean established as a new crop Regional markets accessed	Sustainable agribusiness New technology introduced	Coops enjoyed 25% increase in sales price due to consolidated negotiation strategies; Improved relations between exporters & producers 38% Increase in farmer yields	40,000 liters of UHT milk produced per day (UHT is a new product) Increased milk purchased from farmers. Increased access to lower priced UHT milk.	500,000 ITNs distributed & sold
CHALLENGES	COFAM was not profitable, and was closed.	The company faced difficulties competing with more informal companies, and MEDA saw limited impact working with just one service provider.	A very small group of exporters limits real competition. Farmers resistant to implementing improved production techniques to improve yields to levels of their international competitors.	Will the private sector continue market development post-subsidies?	Will the private sector continue market development post-subsidies?

NAME	From Behind the Veil	Farms to Markets
DATE	2004-2007	2004-2008
COUNTRY	Pakistan	Tajikistan
BUDGET	US $633,395	$4.6MM
SECTOR	Hand-embroidered cloth and garments	Horticulture
MARKET	Urban	Urban
CLIENTS	Homebound, rural women (Target of 6,000)	Female smallholder horticulturalists (target of 2,000)
PARTNERS	EDCI Pakistan, an NGO	National Association of Business Women of Tajikistan
SERVICES	Input supply, quality control, designs, market access	Credit, agricultural extension, market access, post-harvest processing
SUCCESSES	Project design involved assessing the sector and the market for services; innovative approach for reaching home-bound women; innovative strategy for introducing new type of intermediary	Innovative design for helping SMEs access BDS and microfinance
CHALLENGES	New project	New Project

Annex B: Useful Resources

Donor Guidelines

The Committee of Donor Agencies for Small Enterprise Development embarked on a five-year process to explore and forward best practices in non-financial services for small enterprise development. They organized three conferences in Africa, Latin America, and Asia in which practitioners, researchers, and donors came together to share experiences and seek solutions to common challenges in improving impact, sustainability, scale and outreach, and cost-effectiveness. Their exploration resulted in guidelines for the field of business development services that lay out the BDS market development approach as a new paradigm in small enterprise development. The guidelines promote the end of donors, governments, and NGOs providing subsidized services to small enterprises and a new approach in which small enterprise development programs facilitate the development of a *vibrant, competitive market for business development services.*

Business Development Services for Small Enterprises: Guiding Principles for Donor Intervention. Committee of Donor Agencies for Small Enterprise Development, 2001 Edition. www.sedonors.org

BDS Seminar, Reader and Website

Since 2000, the ILO has sponsored an annual BDS seminar and publication of the *BDS Reader,* a document analyzing developments in the BDS field. In 2003, the ILO developed a *BDS Primer* to document the basic principles and seminal programs in the field, while the annual *BDS Update* presents the latest trends, promising innovations, current debates, and challenges, all illustrated with examples from programs around the world. A corresponding website www.bdsknowledge.org solicits and publishes BDS program documents from donors, researchers, and practitioners around the globe. The purpose of the seminar, reader, and website is to facilitate information sharing and learning in the BDS community of practice.

BDS Primer: Developing Commercial Markets for BDS, by Alexandra O. Miehlbradt and Mary McVay, for the Small Enterprise Development Programme of the International Labor Organization, September, 2003. (Available at www.bdsknowledge.org – click on "New to BDS?" at the bottom right of the home page.)

BDS Update: Developing Markets for BDS: Pioneering Systemic Approaches, by Alexandra O. Miehlbradt and Mary McVay, for the Small Enterprise Development Programme of the International Labor Organization, September, 2005. (Available at www.bdsknowledge.org – click on "The BDS Seminar in Chiang Mai, 2004" at the bottom right of the home page.)

Action for Enterprise Sub-sector/ Value Chain Development Approach

www.actionforenterprise.org
Action for Enterprise, a leader in the field of sub-sector and value chain development, has documented a step-by-step approach to developing value chains and BDS markets. As terminology and strategies change, AFE updates its website with the latest information.

The SEEP "On-Line Guide to BDS"

www.seepnetwork.org/bdsguide.html
This on-line guide provides background information to the field of BDS and tools for introducing a wide range of specific services to small enterprise markets. (SEEP, the Small Enterprise Education and Promotion Network, is an association of U.S. and Canadian not-for-profit organization promoting microenterprise development around the globe. www.seepnetwork.org)

SEEP Program Design Tool

Introduced as part of the "State of the Art in BDS" training offered by the SEEP Network, this tool offers a step-by-step guide to developing value chains and BDS markets. It was last updated in 2003 and is available to participants in "State of the Art in BDS" training. For information on upcoming training events, see www.seepnetwork.org/bdsguide.html

SEEP Practitioner Learning Program in BDS Market Assessment

From 2002-2004, the SEEP network facilitated action learning in assessing BDS markets. A synthesis of the research is forthcoming on www.seepnetwork.org. Following is a list of publications currently available on the site:

- Assessing BDS Demand and Supply in Weak or Limited Markets by Melissa Nussbaum and Alexandra O. Miehlbradt, The SEEP Network, December 31, 2003. "This paper discusses recent practitioner experiences in gathering useful and accurate information on BDS in weak or limited markets and using a BDS market assessment to help design and launch market development programs."
- Building a Team for BDS Market Assessment and Key Issues to Consider When Starting BDS Market Assessment by Alexandra O. Miehlbradt, The SEEP Network, March 1, 2003. "This paper is the product of a moderated, email-based discussion and summarizes the discussion participants' views and experiences on issues such as the starting point for BDS programs and market assessment and the skills and capacities needed for BDS market assessment."
- The "What if..." Service Concept Test: Triple Trust Organisation's Market Research Tool by Marshall Bear with Seth Tladi and Donovan Pedro, The SEEP Network, October, 2004. "This technical note describes a qualitative market research tool that Triple Trust Organization in South Africa developed and used as part of its work in the SEEP Practitioner Learning Program in BDS Market Assessment to test microenterprise interest in new business service ideas."

SEEP On-Line Discussion on Reaching Low Income Women with Business Development Services

The SEEP Network sponsored an on-line discussion entitled, "Reaching Low Income Women with Business Development Services." Linda Jones, of MEDA, facilitated and authored the synthesis paper that launched the discussion. The paper, and a discussion synthesis are available on www.seepnetwork.org

Rural Value Chain Community of Practice

Swiss Development Cooperation (SDC) sponsors an on-line community of practice focused on developing of rural value chains, www.sdc-valuechains.ch

Value Chain/Sub-sector Analysis Tools & Examples

A Handbook for Value Chain Research by Raphael Kaplinsky and Mike Morris
International Development Research Centre, available at www.bdsknowledge.org (see Market Assessment).

Integrating SMEs in Global Value Chains: Towards a Partnership for Development, UNIDO by Raphael Kaplinksy and Jeff Readman, Vienna 2001, available at www.bdsknowledge.org (see Global Documents).

Agribusiness Subsector Assessments by Theresa Miles (Development Alternatives Inc.) in A Guide to Developing Agricultural Markets and Agro-enterprises. Edited by Daniele Giovanucci, World Bank. http://lnweb18.worldbank.org/essd/essd.nsf/Agroenterprise/subsector_assess

International Market Studies for Fresh or High Value Food Products by Kenneth D. Weis, in A Guide to Developing Agricultural Markets and Agro-enterprises. Edited by Daniele Giovanucci, World Bank. http://lnweb18.worldbank.org/essd/essd.nsf/Agroenterprise/int_market

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The Small Enterprise Education and Promotion Network (SEEP) website, www.seepnetwork.org

The SEEP Network "Program Design Tool," 2003.

The SEEP "On-Line Guide to Business Development Services and Resources," www.seepnetwork.org/bdsguide.html

Swiss Development Cooperation (SDC) community of practice website on the development of rural value chains at http://www.sdc-valuechains.ch

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