microREPORT # 15

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Development Alternatives Inc. DAI is a global consulting firm that provides social and economic development solutions to business, government, civil society in developing and transitioning countries. Founded in 1970 in Washington, DC, DAI companies now span five continents.

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Abbreviations

AMAP	Accelerated Microenterprise Advancement Project
AT	Appropriate Technology
ATA	Agribusiness Trade Association
BDS	Business Development Services
CDIE	Center for Development Information and Evaluation
DAI	Development Alternatives Inc.
DFID	Department for International Development of the United Kingdom
DIVAGRO	Program for Agricultural Diversification of FUSADES
ESC	Economic Service Center
GDP	Gross Domestic Product
GNP	Gross National Product
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (The German Agency for Technical Co-operation)
IA	Impact Assessment
ICT	Information and Communication Technology
IDB	Inter-American Development Bank
IDI	International Development Association
IEP	Internal Enhancement Plan
IESC	International Executive Services Corps
IFC	International Finance Corporation of the World Bank
IP	Investment Plan
IS	Investment Services
IT	Information Technology
K&P	Knowledge and Practice
KADP	Kosovo Agribusiness Development Program
M&E	Monitoring & Evaluation
MIF	Multilateral Investment Fund of the Inter-American Development Bank
MSE	Micro and Small Enterprise
MSME	Micro, Small and Medium Enterprises
NGO	Non-Government Organization
NPV	Net Present Value
NTAE	Non-Traditional Agricultural Exports
OVE	Office of Evaluation and Oversight
PMP	Performance Monitoring Plan
R&D	Research and Development
SME	Small and Medium Enterprise
SPS	Sanitary and Phytosanitary
TBDS	Technology and Business Development Services
USAID	United States Agency for International Development
VTP	Voucher Training Program

Research Objective

The work plan for Component D of AMAP BDS includes a review of the wide range of donor programs that try to link micro and small enterprises (MSEs)[1] into more profitable value chains[2] to achieve improved market access and group efficiencies. This exercise has two basic purposes:

(1) To gain a better idea of the size, scope, and range of enterprise development programs that donors have implemented in the past few years, are carrying out at present, and are proposing to implement in the near future;

(2) To fit this experience into a framework of possible interventions that will help guide future impact assessment efforts.

(3) To draw some implications of these activity patterns for impact assessment methodology.

A variety of programming approaches to promoting enterprise development is logically possible and the particular approaches favored have varied among donors and over time. The following section sketches a framework of determinants of enterprise growth and development, into which fit -- we hypothesize -- all possible approaches to intervention. If this hypothesis holds, different parts of the framework can be used to assess the impact of different intervention designs. By analyzing the information gathered on programs actually being implemented by major donors, we hope to test this hypothesis and determine how different current approaches to enterprise development fit into the framework.

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[1] This review focuses on programs that promote the development of micro and small enterprises (MSEs). Although there is no perfect definition, micro enterprises are conventionally defined as firms owned by the poor that employ ten or fewer workers while small enterprises have 11-50 workers. USAID is mandated by Congress to spend earmarked funds on the development of microenterprises and currently targets small as well as micro enterprises. Some other donors are interested in small and medium enterprises (SMEs), a designation that includes microenterprises (without particularly emphasizing them) as well as medium enterprises with 51-100 workers.
[2] A value chain can be defined as the whole set of 'vertical' relationships that a good or service passes through on the way from its primary producer to its ultimate user, creating value at each stage of the passage. For a firm, the chain involves backward linkages to suppliers of inputs, business services, and capital goods, and forward linkages to processors, wholesalers, retailers, and customers. A firm's profitability depends in part on what value chain it is in and on its relationships to other firms in the chain.

The Range of Possible Interventions

The possibilities for donor intervention to promote enterprise development can be viewed as a subset of the determinants of enterprise growth. Many different factors influence the nature and pace of enterprise development. Together they determine whether individual firms, groups of enterprises such as sub-sectors and clusters,[3] or a nation's private sector as a whole succeed in growing and transforming themselves so as to raise productivity and contribute to national economic development and some of these lend themselves to donor intervention.

The many determinants of enterprise development can be sorted into three broad sets of factors:

- **Product demand:** Enterprises of all scales are motivated by the profits to be made by selling their products to those who demand them. The size of the domestic market (total private and public sector expenditure on consumption and investment) is a key factor for enterprise growth. Demand for particular products is also influenced by the shape of the national income distribution (which affects consumer demand), by the industrial structure of the national economy (which affects producers' demand for inputs and capital goods), and by the quality of transportation and communication infrastructure (which affects the size of the market that a firm can profitably serve). Small and/or stagnant domestic markets motivate sales to regional and global markets and declining transportation and communication costs have facilitated globalization. Export sales let firms escape the limitations of sluggish internal markets, yet while exporters can theoretically sell unlimited amounts abroad, in practice they often face difficulties arising from a variety of trade barriers imposed by importing countries.

- **Business environment:** The incentives created by product demand must filter through the business environment before they reach the firm. National business environments may be more or less favorable to enterprise creation and growth.[4] A good environment for enterprise development provides economic and political stability and low costs and risks for business transactions. The business environment is shaped many forces, including both macroeconomic policies (monetary, fiscal, trade, and exchange rate

[3] A cluster can be defined as a set of mutually supporting firms and institutions operating in a specific geographic area to promote the development of a particular industry (often including more than one sub-sector). It includes both competing and complementary firms within the industry as well as related R&D and training institutions. It may be promoted by a business association, a government (usually regional or local), or a public-private partnership. A good example would be a tourism cluster, which might include hotels, airlines, tour operators, restaurants, retailers, and MSEs providing goods and services either directly to tourists or to large enterprises in any of these sub-sectors.

[4] The World Bank's *Doing Business* series has recently introduced comparable cross-country information on the quality of the business environment. These measures, however, cover only few aspects of the business environment and often apply to a specific type of firm (a limited liability company doing business in the national capital). Schiffer and Weder demonstrate that in most countries the business environment is less favorable for small firms (Mijam Schiffer and Beatrice Weder. 2001. "Firm Size and the Business Environment: Worldwide Survey Results." Discussion Paper 43. Washington, D.C.: International Finance Corporation.

policy) and micro-level regulations (land and business registration, labor codes, tax administration, and banking regulations). The business environment is a given for individual enterprises, but it can be improved through public-private dialogue leading to reform. Countries that pursue liberal political and economic models tend to have better business environments, but some (e.g., in Latin America) combine strong macroeconomic profiles with weakness at the microeconomic level. Sometimes the business environment is neutral as between enterprise of different scales, but more often it is biased against MSEs, placing greater obstacles in their paths than in those of medium and large firms.

- **Private sector supply response to product demand:** Supply response refers to the ability of private enterprises to meet demand for goods and services. It is partly a matter of intra-firm qualities such as entrepreneurship, managerial and technical skill, and the ability to understand and meet customer needs, but it is strengthened when enterprises can access appropriate financial and business services and also when firms are able to forge strong linkages to other firms through business networks. These networks include *clusters* of enterprises producing identical or similar products (often supported by institutions – private, public, or mixed --for R&D, training, and marketing), as well as *value chain* relationships with external suppliers, processing agents, and marketing firms.[5]

This framework, which was introduced in an earlier report[6] and will be further defined and elucidated in a forthcoming AMAP BDS paper on the conceptual framework for impact assessment, creates a menu for donor interventions to promote enterprise development. One of the three broad determinants of enterprise development, product demand, is essentially a given from the standpoint of enterprise development interventions.[7] That leaves two broad categories for potential intervention:

- **Measures to improve the business environment (for either private enterprises in general or MSEs specifically).** This category includes a wide range of options, both macro and micro.[8]

- **Measures to improve enterprise response to product market demand.** Potential interventions in this category are equally numerous. They include policies to improve

[5] Business networks can also improve the business environment by expediting the flow of information, reducing transaction costs, and expediting policy dialogue on key reform issues.
[6] Donald R. Snodgrass and James Packard Winkler (2004). "Enterprise Growth Initiatives: Strategic Directions and Options. Final Report." Bethesda, MD: Development Alternatives, Inc. (February).
[7] In the long run, of course, economic growth is the solution for limited domestic market demand. One short-term exception to the generalization that demand is a given is the possibility of creating demand for a product through advertising -- as, for example, by branding a commodity like Colombian coffee.
[8] See Snodgrass and Winkler, p. 26, for a catalogue.

business strategy and performance, as well as to improve access to three key markets: for products; for finance; and for business services.[9]

The appropriate emphasis to be placed on improving the business environment, as compared to efforts to strengthen the private sector supply response, is a fundamental issue in the design of donor-funded interventions to promote enterprise growth. The orthodox view, long espoused by the World Bank and many academic economists, is that an open, competitive, relatively undistorted business environment enables private entrepreneurs to make business decisions, which they can do better than donors or policy makers, who may not be good at "picking winners."[10] When applied to MSEs, this position implies that no special preference should be accorded to micro or small enterprises just because they are small.[11] Critics of this orthodox view charge that, in many cases, reforms failed to have the desired or predicted impact. To this, defenders of the orthodox position may retort that the reforms did not focus sufficiently on micro-level issues, were not implemented with sufficient vigor, or were not given enough time to show results.

Advocates of supply-side intervention, led by Michael Porter of the Harvard Business School, contend that policy reform is not enough, that work to stimulate the supply response is also needed, and indeed is the more important and challenging part of enterprise development.[12]

With all this controversy, it is not surprising that some seek a middle position. The economic concept of market failure opens a window in the economists' argument by sanctioning supply-side intervention when markets do not work efficiently or equitably. The classic examples of inefficient market outcomes are public goods, positive and negative externalities, and monopolies.[13] Another instance that is relevant to MSE development interventions is imperfect

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[9] A list of supply-side interventions is given in Snodgrass and Winkler (p. 26). The three "key markets" listed are those emphasized by donors; a complete list would add markets for inputs, capital goods, labor and skills, technology, and land/natural resources.

[10] This is a phrase used by economists to refer to efforts by policy markers or donors to select promising industries, sub-sectors, or businesses upon which to focus their interventions. There has been, for example, a large controversy about the role that "industrial policy" (the promotion of particular industries and firms that were expected to accelerate economic growth and technological upgrading) played in the development of East Asian "tigers" such as South Korea and Taiwan. Many economists doubt that these selections can be made effectively by politicians or bureaucrats and prefer to leave decisions to business actors who may be better informed and have a larger stake in the outcome. Supply-side interventions undertaken despite this concern may seek ways to "let the winners pick themselves" – that is, to structure programs so that participation is determined as much as possible by the actions of the participants themselves.

[11] See Ian M. D. Little, Dipak Mazumdar, and John M. Page, Jr. 1987. *Small Manufacturing Enterprises: A Comparative Study of India and Other Economies.* New York: Oxford University Press for the World Bank. More recent and nuanced statements of the World Bank position are Michael U. Klein and Bita Hadjimichael. 2003. *The Private Sector in Development: Entrepreneurship, Regulation, and Competitive Disciplines.* Washington, D.C.: World Bank and *World Development Report 2005. A Better Investment Climate for Everyone.* Washington, D.C.: World Bank.

[12] For a vigorous statement of this position, see Michael Fairbanks and Stace Lindsay. 1997. *Plowing the Sea. Nurturing the Hidden Source of Growth in the Developing World.* Boston: Harvard Business School Press.

[13] Public goods (e.g., justice and national defense) must be consumed by everyone at once and thus must be collectively financed to avoid the "free rider" problem. Goods with external benefits or costs (e.g., inoculations, on

or asymmetrical information as between buyers and sellers, which may cause producers to miss out on market opportunities or not to negotiate the best possible deal. An equity basis for intervention might involve "merit goods" (e.g., primary health care, primary education, clean water) that can be considered human rights.[14] When market failures are used to justify supply-side intervention, however, it is important that they not be replaced with government failures brought about by incompetence, under funding, or corruption. Another danger is that interventions may benefit only a few well-placed businesses and not society more generally. Finally, market-friendly interventions must be temporary; that is, they must include an exit strategy.

That fact is that in most developing and transition economies interventions can be justified *both* to improve the business environment *and* to improve the private sector supply response. The operationally significant questions are often how to strike an appropriate balance between the two approaches, how to bring about policy and regulatory reform, and what specific supply-side interventions to undertake.

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the one hand, and goods produced in polluting factories, on the other) will be supplied by the private market, but not in socially optimal amounts.

[14] A good discussion of market failure matter appears in Swedish International Development Cooperation Agency (SIDA). 2003. *Making Markets Work for the Poor.* Stockholm. Pp. 34-36.

Donor Goals and Strategies

This review of donor-sponsored MSE development programs covers four major donors in the field of MSE development:

- The United States Agency for International Development (USAID)
- The United Kingdom Department for International Development (DFID)
- The World Bank Group, including the International Development Association (IDA) and the International Finance Corporation (IFC)
- The Inter-American Development Bank Group, including the Inter-American Investment Corporation and the Multilateral Investment Fund (MIF)

Each of these agencies has its own approach to MSE development, and each has changed its approach over the years.

USAID explicitly defines economic growth as its overriding objective, in contrast to other donors that give top priority to poverty alleviation.[15] Although USAID has not issued a policy statement on MSE or enterprise development for some time, it recently broadened its long-standing, Congressionally-mandated commitment to microenterprise to include small as well as micro firms. USAID has a large number of pure microfinance projects in its portfolio, which are not included in this review. Beginning in the late 1990s, the Agency began to give more emphasis to business development services (BDS), embracing the BDS market development approach laid out by the Committee of Donors for Small Enterprise Development in its "Blue Book."[16] Within the BDS market development paradigm, USAID's BDS projects often tried to develop business service markets that served particular sub-sectors, as opposed to concentrating on particular services that could be used by firms in many sub-sectors.

USAID's most recent policy shift derives from the observation that improvements in finance, business services – or, indeed, anything that raises productivity and competitiveness -- have little significance if firms are unable to market their production profitably. Indeed, USAID now hypothesizes that improved links to product markets can lead to improvements all along the value chain. This has led to an emphasis on helping MSEs enter into inter-firm relationships that promote market integration and firm upgrading.[17] Accordingly, a principal current interest is to promote the development of profitable value chains and clusters in developing and transition economies and the integration of MSEs into these formations. USAID has also enthusiastically

[15] This is not to say that USAID is indifferent to poverty; rather, it believes that poverty is most effectively ameliorated by economic growth, particularly when it is 'pro-poor'.
[16] Committee of Donors for Small Enterprise Development. 2001. *Business Development Services for Small Enterprises: Guiding Principles for Donor Intervention, 2001 Edition*.
[17] Upgrading refers to firm-level improvements in processes, products, or functions as well as to movement into new value chains. See John Humphrey and Hubert Schmitz. 2003. "Value Chain Governance and Upgrading: Taking Stock."

embraced the World Bank's effort to measure the cost of regulatory barriers to basic business functions (*Doing Business)*, along with its agenda of simplifying business regulation.

DFID emphasizes achievement of the eight Millennium Development Goals[18] in all its activities and regards pro-poor growth (interpreted to mean growth that raises the average income of the poor) and private sector development as important means to this end. It aims to:

- Create strong incentives for private investment
- Foster international economic links
- Provide broad access to assets and markets
- Reduce risk and vulnerability

DFID's Pro-Poor Growth Briefing Note comments that:

> "Success in achieving all four of these conditions is likely to depend on the quality of a country's governance. Most countries that have achieved rapid pro-poor growth have been characterized by political commitment to general improvement of living standards and by competent and effective public administration. Meeting the conditions highlighted in this not is not easy, especially for a poor country with weak governance, but experience shows that it is possible with political leadership, persistence, and external support."[19]

Despite arguing in the past that no special attention should be paid to micro and small enterprises simply because of their scale, the *World Bank* launched a number of microfinance and later BDS projects in the 1990s. The Bank still contends that improvements in the business environment (which it calls the investment climate) should be prioritized and supply-side interventions undertaken only with extreme caution.[20] Despite these arguments, World Bank Group[21] lending

[18] These goals, to be achieved by 2015, are to: (1) eradicate extreme poverty; (2) achieve universal primary education; (3) promote gender equality and empower women; (4) reduce child mortality; (5) improve maternal health; (6) combat HIV and AIDS, malaria, and other diseases; (7) ensure environmental sustainability; and (8) develop a global partnership for development.

[19] Department for International Development. 2004. "How to Accelerate Pro-poor Growth: A Basic Framework for Policy Analysis." September. Available at Hhttp://www.dfid.gov.uk/pubs/files/propoorbriefnote2.pdfH.

[20] See *World Development Report 2005. A Better Investment Climate for Everyone,* especially the discussion of selective interventions on pp. 159-174, which concludes: "So the possibility exists for governments to intervene selectively in ways that contribute to growth and poverty reduction. Experience shows, however, that such strategies are not straightforward, and that the likelihood of success is greater when they complement rather than attempt to substitute for broader investment climate improvements."

[21] Three members of the World Bank Group are relevant to this review. The World Bank proper makes government-guaranteed loans to national governments, along with a much smaller volume of technical assistance grants. The International Development Association (IDA) is the soft-loan window of the World Bank and makes low-interest loans (called credits) to less creditworthy countries. The International Finance Corporation (IFC) makes equity investments in private enterprises in developing countries, helps these companies mobilize international finance, and provides advice and technical assistance to businesses and governments. The IFC has worked primarily with medium and large enterprises in the past but is now partnering with IDA on a series of MSME competitiveness projects in Africa.

for SME or MSME development has increased in recent years, perhaps because of the increasing emphasis placed on poverty reduction. Somewhat surprisingly, given some of its policy positions, the Bank does not always build the achievement of long-term financial sustainability into business service provision. Some of its projects use vouchers to subsidize business services and make no provision either for decreasing the subsidy element over time or for limiting repeat use by particular clients.

The Inter-American Development Bank (IDB) Group[22] supports economic and social development and regional integration in Latin America and the Caribbean, primarily through loans to governments and technical assistance. Its overriding goals are sustainable development and poverty amelioration. In 2003, it adopted a strategy to address what it called serious competitiveness problems in its region, which it attributed to economic instability, scarce financial resources and lack of access to credit, lags in human capital, lack of access to infrastructure, and deficiencies in public institutions.

With these donor objectives and strategic approaches in mind, we proceed to our review of the specific programs that these donors have carried out in recent years.

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[22] Besides the Bank, the group includes the Inter-American Investment Corporation, which finances small and medium-scale companies, and the Multilateral Investment Fund, which supports private sector development, especially microenterprise.

Dimensions of this Inquiry

Types of program to be included in the review: We sought to include in our review all programs undertaken by four major donors in any sector of the economy (agriculture, services, and manufacturing) that try to strengthen the supply response of micro-, small, and medium enterprises (MSMEs) to product demand. In general, these interventions had to meet three criteria:

- They try to link micro, small, and medium firms into value chains that offer improved market access and group efficiencies. Programs that meet our criteria are often called BDS programs, but they may also be identified as microfinance, competitiveness, trade and investment, agribusiness, or sub-sector development programs. To be included in the inventory, a program should have linking MSEs into value chains as one of its objectives (stated or implicit), although it need not be the sole or even the main objective.

- They try to develop business service markets (and occasionally also financial markets).[23]

- Enough information is available to fill in at least some of the blanks in the prescribed template of descriptive information.

Obtaining the information needed to determine whether a program meets these criteria proved to be difficult. However, we tried to include all donor programs that meet these criteria while excluding:

- Enterprise development programs that pay no special attention to MSEs.

- Programs that rely exclusively on microfinance and/or policy advocacy to develop enterprises and thus do not attempt to strengthen MSEs' supply response to product demand.

In keeping with the basic aim of the task, an inventory of information on diverse approaches to MSE development was sought.

Donors included in the inventory: The inquiry focuses on four major donors: USAID, DFID, the World Bank Group including the International Finance Corporation, and the IDB. Several other donors (for example, GTZ and Swiss Contact) also engage in MSE (or small and medium enterprise – SME) development, but they are not included in the inventory because of our limited ability to obtain and process information.

[23] This is not so much a logical as a practical consideration. Most of the programs that we are concerned with were regarded as BDS market development programs until recently and some still are.

Time period covered: Although small enterprise development programs have a long history, we do not intend to cover that entire history and we have no intention of analyzing discarded program designs. Accordingly, coverage is limited to three groups of programs:

- Those that ended after 1995;
- Those that are currently being implemented; and
- The latest USAID program designs as described in recent RFPs.

Data Collection

Data collection for this analysis of donor programs proved to be a challenging task. We sought information through contacts in the four donor organizations as well as from USAID contractors. We tried, first, to identify programs that meet the criteria spelled out above, and second, to collect a standard set of descriptive information on those programs (see Annex A). Both these goals proved difficult to achieve (especially for donors other than USAID) and the value of the data being collected had to be weighed against the time and money needed to collect the information sought. Although it proved impossible, within the constraints that we faced, to assemble an ideal dataset, enough information was collected to realize the basic descriptive and analytical goals of the exercise. Gaps in the discussion that follows reflect the lack of continuity in the information that we obtained.

A brief description of the data collected for each of the four donors follows.

USAID: DAI made a major effort to collect information on recent and ongoing USAID projects, primarily through contacts with USAID contractors. Extensive information on 149 projects (see Annex B) was gathered and entered into a spreadsheet. The information collected closely approximates the specifications in Annex A. In addition, nine recent RFPs for enterprise development projects (see Annex C) were downloaded from the internet and analyzed to determine what approaches are embodied in the latest mission thinking.

DFID: We obtained a list of all the programs of the Enterprise Development Department as of 2002 (see Annex D). The list cross-classifies developing regions and countries by the following seven “areas of activity,” showing what DFID is (or is not) doing in each area of activity in each of the countries in which it works. The list includes reports and consultancies as well as development projects.

- The enabling environment
- Trade
- Financial services
- Business development services
- Privatization
- National private sector strategies
- Enterprise development in DFID country-office strategies

This is a broader grouping than we want for our inventory and the descriptive information obtained is much less than we would like. Based on an examination of DFID’s list, it appears that DFID may have had, as of 2002, 45 projects that meet our criteria. These are listed in Annex D.

World Bank Group: We received information from the World Bank on 157 access to business services (ABS) projects undertaken by the SME Department and Project Development Facility of the World Bank (see Annex E). These projects are categorized by the Bank as follows:

- Training for SMEs
    - General management training
    - Specialized technical training
- Building consulting skills
    - General skills
    - Specialized skills
- Improving access to information
    - General information
    - Specialized information
- Special categories of ABS projects
    - Export promotion
    - Working with sub-sectors
    - Linkages with a lead firm
    - Business associations as business service providers
    - Entrepreneurship development
    - Small scale tourism
    - Tools to stimulate demand for business services (matching grants, vouchers)

IDB: We received a spreadsheet of projects from IDB, along with a report that discusses their enterprise development activities.[24] The spreadsheet (see Annex F) lists 85 projects, sorted into the following 8 categories:

- General technical assistance and training (21 projects).
- Training services (14).
- Quality and environmental norms (8).
- Technology services (6).
- Science and technology (7).
- Indigenous and/or traditional industries (6).
- Agriculture and fisheries (17).
- Tourism and handicrafts (6).

All these IDB projects either are on-going or ended in 1995 or later. The definition of the total area of activity covered is somewhat unclear, as are some of the categories, which seem to overlap.
The IDB provided extensive information on each of its 85 projects (see Annex F):

[24] Antonio Garcia Tabuenca, Justo de Jorge Moreno, Fernando Coral Polanco, and Carolina Perondi. "Lecciones Aprendidas en la Promocion de Mercados de Servicios de Desarrollo Empresarial. Un Analisis de la Experiencia del Banco Interamericano de Desarrollo en el Periodo 1995-2002. Washington, D.C.: Inter-American Development Bank.

Description of Donor Programs

This section attempts to describe the current and recent enterprise development activities of the four donors according to a range of project characteristics. Our information is far more complete for USAID projects than for those of DFID, the World Bank Group, or the IDB, for all of which we can provide only selective descriptive information.

Project Settings:

USAID: Nearly one-third (47) of USAID's 149 projects is in Sub-Saharan Africa and almost another third (47) is in Europe and Eurasia. The remaining projects are split among Latin American and the Caribbean (29 projects), Asia (16), and the Middle East and North Africa (9). In terms of the two major types of economy in which USAID works, about two-thirds of its projects (102) are in developing countries and about one-third (47) are in transition countries.

Of the 102 projects in developing countries, half (51) are located in low-income countries, 38 are in lower middle-income countries, and only three are in upper middle-income countries (see Table 1).[25] Looked at another way, 41 of these projects are located in countries that have achieved little or no growth in per capita income since 1990. Another 37 projects take place in countries where slow income growth has occurred. Only 14 of USAID's MSE development projects are in countries where growth in income per capita has been rapid since 1990. This cross-country distribution is significant because growth in final demand from consumers and other producers is one of the three basic determinants of enterprise growth, along with the quality of the business environment and the strength of the private sector supply response to the incentives offered by the level of demand as moderated by the business environment (see Snodgrass and Winkler 2004). Improved integration of the domestic market and sales to regional neighbors offer some opportunities for enterprise expansion, but if the local market is small and growing slowly if at all, as is often the case, then export sales offer a critical opportunity to escape the local demand constraint and boost sales. In all of these countries, a range of measures to improve the business environment is also needed.

[25] Ten projects take place in more than one country.

Table 1: Developing Countries With USAID MSE Development Projects By GDP Per Capita In 2002 and Average Growth Rate, 1990-2002

Low-income Countries	Lower Middle-Income Countries	Upper Middle-Income Countries
Declining/Stagnant from 1990-2002		
Congo DRC	Colombia (4)	
Guinea	Honduras (2)	
Haiti (2)	Jamaica (2)	
Kenya (4)	Jordan (2)	
Madagascar (2)	Nicaragua	
Malawi (2)	Palestine (4)	
Nigeria	South Africa (3)	
Rwanda		
Senegal		
Tanzania (4)		
Zambia (3)		
Zimbabwe		
Slow-Growing from 1990-2002		
Benin	Bolivia (4)	Botswana
Burkina Faso (2)	Ecuador (2)	Brazil
Ethiopia (3)	Egypt	Mexico
Ghana (2)	El Salvador	
Mali (4)	Eritrea	
Nepal (3)	Guatemala	
Pakistan	Morocco (2)	
	Peru (3)	
	Philippines (3)	
Fast-Growing from 1990-2002		
Bangladesh (3)	Dominican Republic	
India (2)	Sri Lanka	
Mozambique (2)		
Uganda (4)		
Vietnam		

Note: Declining/stagnant means that GDP per capita fell, was constant, or grew at less than 1% per year; slow-growing means that it grew at 1-3% on average; fast growing at 3% or more. Ten regional or multi-country projects are excluded from this table.

SOURCE: World Bank, World Development Indicators.

Transition economies can be distinguished by the degree of success that they have been able to achieve in recovering from the economic decline that they all experienced after the break-up of the Soviet Union. All of these countries experienced falling income levels until around 1993. As Table 2 shows, many of them were unable to regain their 1990 income levels by 2002. Some of these (listed in Column 1 of the table) were stagnant while others (Column 2) were recovering but had not yet returned to the per capita income that they had enjoyed in 1990. A few transition economies (Column 3) were doing better and had grown beyond their 1990 income levels by 2002. As the table also indicates, 17 of USAID's 47 MSE development projects in transition economies are located in the worst-performing countries while another 12 projects are in countries in the second group. Fifteen projects are in the most successful group of economies – those that have exceeded their 1990 income level and continue to grow. (Five projects take place in more than one country.) As in the developing economies, small, stagnant, and/or slow-growing economies heighten the importance of exports. This is a particular challenge for the transition economies, since their production systems and trading patterns were all geared to the Soviet Bloc and now must be redirected toward global trade.

Table 2: Recovery and Growth in Transition Countries with USAID MSE Development Projects, 1990-2002

1990 Income Level Not Yet Recovered, Little to No Growth	1990 Income Level Not Yet Recovered, But Growing	1990 Income Level Recovered, Continued Growth
Bosnia	Armenia (2)	Albania (3)
Kosovo (4)	Georgia (2)	Azerbaijan (6)
Macedonia (3)	Mongolia (5)	Bulgaria (2)
Russia (5)	Romania (3)	Croatia (3)
Serbia		Poland
Tajikistan		

NOTE: Countries in the first column had not recovered their 1990 level of GDP per capita and had declining GDP per capita or growth at less than 1% a year from 1993 to 2002. Countries in the second column also had not recovered their 1990 level of GDP per capita by 2002 but did experience growth of GDP per capita at more than 1% a year on average (1993-2002). Countries in the third column had recovered their 1990 level of GDP per capita by 2002 and experienced growth of GDP per capita or more than 1% a year. Five regional and multi-country projects have been excluded from the table.

SOURCE: World Bank, World Development Indicators.

DFID: DFID has far fewer projects than USAID and is much more selective in its country coverage. Like USAID, it works both in developing and in transition countries, but DFID concentrates on former British colonies, particularly in Africa. Of the 45 projects on the list that we obtained for 2002, over two-thirds (31) were located in African countries, all but one of which are ex-colonies: Botswana/Namibia (3), Ghana (3), Kenya (5), Lesotho/Swaziland (4), Malawi (3), Mozambique (2), Nigeria (1), South Africa (7), Tanzania (2), and Uganda (2). Other developing countries with small enterprise development projects were Bangladesh (2), Belize, India, Jamaica (3 projects), and Nicaragua. DFID had projects in just three transition countries: Macedonia, Russia, and Ukraine. Finally, it had one major activity that cuts across national boundaries, the global Business Linkages Challenge Fund, which encourages larger firms from developed or developing countries to link up with smaller enterprises in developing countries.

Table 3: Developing Countries with DFID MSE Development Projects By GDP Per Capita in 2002 and Average Growth Rate, 1990-2002

Low-Income Countries	Lower Middle-Income Countries	Upper Middle-Income Countries
Declining/Stagnant from 1990-2002		
Kenya (5)	Jamaica (3)	
Malawi (3)	Nicaragua (1)	
Nigeria (1)	South Africa (7)	
Tanzania (2)		
Slow-Growing from 1990-2002		
Ghana (3)	Namibia (3)	Botswana (2)
Lesotho (4)		
Fast-Growing from 1990-2002		
Bangladesh (2)		
India (1)		
Mozambique (2)		
Uganda (2)		

NOTE: Declining/stagnant means that GDP per capita fell, was constant, or grew at less than 1% per year; slow-growing means that it grew at 1-3% on average; fast growing at 3% or more. Regional projects and projects in very small countries are excluded from this table.

SOURCE: World Bank, World Development Indicators.

Table 3 displays DFID client countries and projects in the same matrix as was used earlier for USAID projects. The MSE development projects of the two donors are distributed similarly, but DFID concentrates a bit more on low-income and declining/stagnant economies, perhaps because of its focus on Africa.

Table 4: Developing Countries with World Bank Group MSE Development Projects by GDP per capita in 2002 and Average Growth Rate, 1990-2002

Low-Income Countries	Lower Middle-Income Countries	Upper Middle-Income Countries
Declining/Stagnant 1990-2002		
Cameroon (3)	Algeria (4)	
Chad (3)	Colombia (1)	
Cote d'Ivoire (1)	Malawi (1)	
Gambia (1)	South Africa (14)	
Guinea (1)	Tanzania (7)	
Kenya (9)		
Madagascar (1)		
Nigeria (8)		
Senegal (4)		
Zambia (4)		
Slow-Growing from 1990-2002		
Benin (1)	Bolivia (1)	Brazil (3)
Cambodia (9)	Egypt (1)	
Ghana (11)	El Salvador (2)	
Indonesia (2)	Morocco (5)	
Mali (7)	Peru (3)	
	Turkey (1)	
Fast-Growing from 1990-2002		
Bangladesh (3)	China (7)	
India (1)		
Laos (2)		
Mozambique (3)		
Uganda (3)		
Vietnam (5)		

NOTE: Declining/stagnant means that GDP per capita fell, was constant, or grew at less than 1% per year; slow-growing means that it grew at 1-3% on average; fast growing at 3% or more. Seven global projects are excluded from this table.

SOURCE: World Bank, World Development Indicators.

World Bank Group: The World Bank-International Finance Corporation has a similar number of projects to USAID, but it concentrates more on developing countries and less on transition economies (32% of USAID projects are in transition economies but only 11% of World Bank projects). Regionally, the Bank concentrates on Sub-Saharan Africa, where one-half of its ABS projects are located. Asia has 29 projects (18% of the total), while other regions have smaller shares. Bank Group projects are spread widely over low- and middle-income countries and among stagnant and growing economies, as Table 4 shows.

IDB: The IDB works only in Latin American and the Caribbean. The 85 projects on the spreadsheet that we obtained from IDB are spread fairly evenly across the region, extending to both the richer and the poorer countries in the hemisphere as well as the largest and smallest. The count of projects by country is shown in Table 5.

Table 5: Developing Countries with IDB BDS Projects by GDP per capita in 2002 and Average Growth Rate, 1990-2002

Low-Income Countries	Lower Middle-Income Countries	Upper Middle-Income Countries
Declining/Stagnant from 1990-2002		
	Colombia (7) Honduras (4) Jamaica (1) Nicaragua (3) Paraguay (1)	Uruguay (8) Venezuela (1)
Slow-Growing from 1990-2002		
	Bolivia (6) Ecuador (4) El Salvador (5) Guatemala (3) Peru (5)	Argentina (9) Brazil (3) Costa Rica (3) Mexico (5) Panama (5)
Fast-Growing from 1990-2002		
		Chile (3)

NOTE: Declining/stagnant means that GDP per capita fell, was constant, or grew at less than 1% per year; slow-growing means that it grew at 1-3% on average; fast growing at 3% or more. Four regional projects and projects in very small countries (Belize and Guyana) are excluded from this table.

SOURCE: World Bank, World Development Indicators.

Table 6 compares the country coverage of the four donors. It shows that USAID, DFID, and the World Bank Group all work primarily in low-income countries but also have many projects in lower middle-income countries. DFID concentrates on economically declining or stagnant countries a bit more than USAID, while the World Bank does so a bit less. Most of the remaining projects of these three donors are in slow-growing countries. The IDB has a very different distribution of project activity, because of both the characteristics of the region in which it works and the way in which it has chosen to allocate its funds among member countries. It divides its projects about equally between lower middle-income countries and upper-middle income countries.[26]

Table 6: Comparison of Project Allocations of the Four Donors (% of all projects)

	Low-Income Countries	**Lower Middle-Income Countries**	**Upper Middle-Income Countries**
USAID	**55.4**	**41.4**	**3.3**
DFID	**61**	**34.1**	**4.9**
World Bank	**62.1**	**35.6**	**2.2**
IDB	**0**	**51.4**	**41.6**
	Stagnant/Declining Countries	**Slow-Growing Countries**	**Fast-Growing Countries**
USAID	**44.6**	**40.3**	**15.2**
DFID	**53.6**	**29.3**	**17.1**
World Bank	**47**	**34.7**	**18.2**
IDB	**32.9**	**63.2**	**3.9**

SOURCE: Derived from Tables 1, 3, 4, and 5.

Implementing Agencies:

Our database indicates that USAID's MSE development projects are implemented by three large contractors (ACDI/VOCA, Chemonics, and DAI, with 20 or more projects each) and a number

[26] There are no projects in Haiti, the only low-income country in Latin America and the Caribbean.

of smaller ones.[27] However, the list may be incomplete and unrepresentative because of difficulties encountered in collecting information from some contractors.[28]

DFID also uses private contractors and NGOs to help implement its projects and collaborates extensively with the World Bank Group and other donors.

Duration and Funding Level:

USAID MSE development projects vary widely in duration and scope, as well as in funding level. We have funding information for 118 of the 149 projects on our list. Many projects are relatively large. Twenty-five projects are funded at $5-10 million level, 24 in the $10-20 million dollar range, and 13 above $20 million. At the other end of the scale, 20 projects are budgeted at less than $1 million, 21 at $1-3 million, and 15 in the $3-5 million range.

We have information on the duration of 115 USAID MSE development projects. There is a relatively even spread of project lengths over the following classes:

- Up to 2 years — 24 projects
- More than 2 and up to 3 years — 29 projects
- More than 3 and up to 4 years — 23 projects
- More than 4 and up to 5 years — 32 projects
- More than 5 and up to 7 years — 22 projects
- More than 7 years — 7 projects

Many projects are initially awarded for periods of two to three years and extended later on if performance is adequate and budget is available. The possibility of extension is important because 2-3 years is a short period in which to achieve significant results in enterprise promotion. A fair number of older projects have hung on for five to seven years or even longer. This could reflect continued good performance. A fair number of projects have also been awarded for two years or less, presumably to accomplish rather specific and limited ends.

IDB projects typically last for 40 months, according to the Bank, but complex projects may be extended to considerably longer periods.

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[27] The other contractors, with one to nine projects a piece, are Winrock International, CARANA, CHF, Enterprise Works, Action for Enterprise, Louis Berger Group, Nathan Associates, Aid to Artisans, Associates in Rural Development, J.E. Austin, Mercy Corps, Citizens Development Corps, ECI Africa, Pragma Corp., Fintrac, MEDA, AT Uganda Ltd., Deloitte and Touche, International Development Enterprise, Iris Center, PACT, Sigma One, and TSG.

[28] It would be interesting to know whether there are any systematic differences in approach among implementing agencies (for example, consulting firms vs. NGOs), but we have not investigated that question.

Terms of Assistance:

USAID runs an all-grant program and benefits from its ability to fund private bodies, both profit-making and non-profit, in addition to governments. The World Bank makes sovereign loans to governments and thus must involve host governments in all of its activities, even when the goal is to develop private firms. Its affiliate IDA (the International Development Association) operates on the same principle in countries that are not considered bankable, except that its loans are called credits and repayment terms are more lenient. The IFC, another member of the World Bank Group, promotes private enterprise through loans and investments. Until recently, it concentrated on co-funding specific deals with large enterprises, but IFC is now partnering with IDA to promote micro, small, and medium enterprise in Africa. The IDB's terms of assistance follow those of the World Bank Group.[29]

USAID Project Objectives:

The USAID projects in our database all aim to develop private enterprises, in one way or another, as a means of creating wealth and productive employment. Some typical objective specifications for MSE development programs in developing countries, gleaned from our database, are to:

- Raise incomes and value added.
- Strengthen the managerial capacity of participating agribusiness associations.
- Reduce food insecurity by improving agricultural marketing efficiency.
- Increase the productivity, efficiency, and sustainability of SMEs in a given sector.
- Gain access to new markets.
- Improve management of local firms.
- Increase rural incomes by assisting motivated farmers to form member-owned associations in order to build economies of scale, increase marketing power, and facilitate business contracting.
- Assist small producers to access markets through financially sustainable agribusiness associations.
- Strengthen the capacity of cooperatives and SME producer exporters to deliver services that move the product of microenterprise producers into higher value markets.
- Build the capacity of an association of producers to provide improved business services to MSE members.
- Increase income, employment, and competitiveness of a sector by improving inter-firm cooperation between importers, exporters, and producers, and by promoting market linkages.

[29] The IDB review (cited elsewhere) of BDS projects executed in 1995-2002 notes that while most of its BDS projects involve private sector intermediaries, two thirds of the funding goes through public institutions. Public-private partnerships, although rare, account for 26% of funding.

- Develop linkages between producers' associations and large private firms, many of them exporters, providing rural groups with access to new marketing channels in both domestic and export markets.
- Strengthen the export competitiveness of the principal export sectors by aggressively pursuing market opportunities, defining customer requirements in these markets, and organizing the sectors to actively exploit these opportunities.

In transition countries, broader promotion of the private sector is often a major objective of USAID. For example, projects in such countries aim to:

- Help the private sector grow in a competitive environment.
- Economic growth through food chain development; increased competitiveness of producers, processors, and distributors in targeted production areas (dairy, meats, and horticulture).
- Increase the number of private farmers who understand and participate in private agriculture by facilitating their entry and integration into market chains.
- Strengthen the capacity of nascent private sector and rural NGOs to promote business and develop markets.
- Help rebuild the economy by strengthening basic business skills (such as accounting, business planning, marketing, and production techniques) of SMEs.
- Focus on private sector development and on the business support industry as a whole. Train business support institutions to become self-sufficient and give them the tools they need to provide services to clients on a competitive and profitable basis.
- Promote competitiveness of SMEs in domestic and foreign markets and increase job opportunities.

Intervention Strategies:

As discussed earlier, strategic decisions in project design include the relative emphasis to be placed on improving the business environment and strengthening the supply response and, when supply-side intervention is decided upon, the best approach to bolstering MSE responses to the incentives offered to them. Both business environment reform and supply-side strengthening offer many options for donor activity. For example, supply response can be strengthened through work on input supply, technical assistance and extension, training, information services, or producer group development. Market linkages and business relationships may also be emphasized.

USAID: Many USAID programs target specific agricultural or non-agricultural sectors or sub-sectors, often using a value chain approach. Frequently the projects work through business associations or cooperatives. A few seek to build the capacity of the business service industry or to increase competitiveness through cluster development. The following key words and phrases appear frequently in contractors' descriptions of their intervention strategies:

- Terms related to product market linkages: Value chain; export markets; marketing.
- Terms related to business services: Training; technical assistance; commercial business services; extension; embedded business services.
- Term related to microfinance: Credit.
- Terms related to business groupings: Associations; cooperatives.
- Terms related to analytics and overall approach: Identifying constraints; demand-driven; volunteer.

These words and phases reflect a mixture of older and newer paradigms of assistance to enterprise development.

DFID: DFID groups its enterprise development activities into seven major areas:

- The business enabling environment
- Trade
- Financial services deepening
- Business development services
- Privatization
- National private sector strategies
- Enterprise development in DFID country-office strategies

Most DFID projects are in three familiar areas of activity: financial services (64 projects in 25 countries), business development services (59 projects in 22 countries), and the enabling environment (41 projects in 22 countries). In many of the countries where it works,[30] DFID has one or more projects in all three of these areas. Much smaller numbers of DFID projects fall into the other four activity areas mentioned in the list above.

As with USAID, a list of key words and phrases suggests some of the common approaches taken in DFID projects:

- Terms related to product market linkages: Product development; standards certification; market support; fair trade.
- Terms related to business services: Demand-led BDS; sustainable small business consulting.
- Terms related to microfinance: Making financial markets work for poor people; development of sustainable financial institutions with outreach; credit guarantee funds.
- Terms related to business groupings: Strengthening private sector advocacy; capacity building.

[30] Ghana, India, Kenya, Lesotho, Malawi, Mozambique, Nicaragua, Namibia, Nigeria, Russia, South Africa, Tanzania, Uganda, Ukraine, and Vietnam.

- Terms related to business environment: Deregulation; decentralization; minimizing compliance costs; regulatory environment for small business; improved business registration system; revised foreign investment law.
- Terms related to analytics and overall approach: Small enterprise surveys; investment promotion; encouragement of social responsibility; HIV/AIDS and the private sector; SME competitiveness.

World Bank Group: The World Bank's Access to Business Services (ABS) projects divide into four main functional groups, with several sub-categories in the fourth group. These designations are listed below, along with the frequencies with which they appear in the lists of projects that we obtained from the Bank.

- Training, including general management training (15 projects) and specialized technical training (45).
- Building consulting skills, including general (15) and specialized (9) skills.
- Improving access to information, both general (7) and specialized (11).
- Special categories of ABS projects, including:
    - Export promotion (21)
    - Sub-sector projects (12)
    - Linkages with a lead firm (44)
    - Business associations as business service providers (19)
    - Entrepreneurship development (41)
    - Small scale tourism (1)
    - Tools to stimulate demand for business services (matching grants and vouchers) (2)

Bank projects often fit into more than one of these categories. Anything from one to four labels may be assigned to a particular project, so the tallies above reflect double counting. For example, the PRODEM project in Bolivia works with a sub-sector (llama wool) and also involves specialized technical training and entrepreneurship development, so it has been listed under all three of these activity categories.

We see from this tally that the most common areas for World Bank activity in the area of business services and market access are: specialized technical training of different types; linkage projects involving lead firms; and entrepreneurship development, which includes management education. In addition to the frequencies noted above, seven of the projects listed dealt only with diagnostic activities.

Major Project Activities:

Are clusters or value chains promoted? The great majority of USAID programs (at least 94 out of 149) promote either clusters or value chains (see definitions above). Only 24 programs do not use one of these approaches, while no information was received for 31 programs. It is far more common for the focus to be on sub-sector value chains (at least 37 cases) than on clusters. Competitiveness projects based on the cluster approach do exist in Albania, Azerbaijan, Bulgaria, Croatia, Ethiopia, Mongolia, Morocco, and Sri Lanka, as well as in the Southeast Asian region. DFID mentions these approaches less often but does utilize value chain and market development approaches in Southern Africa.

Programs intended to promote the formation and development of clusters appear to be undertaken less frequently by other donors, although the World Bank -- and also UNIDO and GTZ, which are not included in this survey -- have both launched cluster programs. Work with value chains is more common. The World Bank, for example, is including work with selected value chains in its new MSME competitiveness projects for African countries. Some project documents call for work with value chains but do not specify which value chains will be selected, leaving the choice to depend on subsequent analyses of business constraints in selected sub-sectors and the response of stakeholders, who are asked in some cases to develop detailed intervention proposals for possible funding under the project.

Are business services provided on a subsidized or commercial basis? Although USAID's policy for some time now has been to develop sustainable commercial provision of business services, the overwhelming majority of USAID enterprise development projects still subsidize the services that they provide or facilitate. This was the case for 121 projects out of the 131 that furnished information on this point. Only a few projects, located in Burkina Faso, Jamaica, Kenya, Guatemala, Macedonia, Mongolia, Palestine, Peru, and Vietnam, reported commercial (unsubsidized) provision of business services. Similarly, as noted earlier, some World Bank projects subsidize business services through voucher systems without either building in a declining subsidy element over time or limiting repeat use of subsidized services by particular clients.

Are clients organized or grouped? Yes, in nearly all USAID projects. We could identify only 15 USAID projects that do not group clients in one way or another; in some other cases, it was difficult to tell.[31] Many programs work with some form of business association. The old days of technical assistance to business, when most activity took place at the level of the individual firm, appear to be gone.

Do projects combine microfinance and/or policy advocacy with business services? The majority of USAID MSE development programs reflect the growing recognition that improvement in the

[31] Many of the projects that do not group clients are small. About half of them are in Eastern Europe and Central Asia.

business environment is often a necessary condition for the success of intervention projects by incorporating policy advocacy into the project design along with business service provision or facilitation. On the other hand, although USAID has many pure microfinance projects (which are not included in our database), only a few projects combine action to improve the financial system with business services, even though installing new methods of production and marketing often requires that additional finance be obtained.[32] Counts for the 149 USAID projects in our database are as follows:

- 68 projects combine business services with policy advocacy but not microfinance.
- 64 projects just provide business services.
- 12 projects combine business services both with microfinance and with policy advocacy.
- 5 projects combine business services with microfinance but not policy advocacy.[33]

Increasingly, enterprise development projects undertaken by donors other than USAID appear to complement business service and market linkage activities with efforts to improve the business environment and also in some cases to deepen the financial system. In most of the countries where DFID works, enabling environment and financial sector deepening activities complement BDS projects, although they may not be included in the same project. Similarly, each of the new IDA/IFC projects to promote MSME competitiveness incorporates one or more intervention in each of the three major areas (business environment, finance, and BDS), although the specific interventions selected vary by country.

Scale of Operations:

The scale of enterprise development projects varies widely and is difficult to characterize in a general way because projects employ a wide variety of scale measures. Here are some examples for USAID projects:

- Project will establish 30 cooperatives with more than 30,000 members.
- Project works with 223 commercial clients and 1,533 smallholder clients; it established six associations.
- 333 new enterprises were formed.
- Expected impact: more than 25,000 individuals.
- 100/150 clients trained per year.

[32] In the past, participation in prescribed training or technical assistance programs was often made a condition of obtaining credit by microfinance institutions. This practice was generally found to be ineffective and fell out of favor relative to ‘minimalist’ credit programs within a context of financial sector deepening. However, the shift to more market-oriented approaches to business service provision does not obviate the need of many MSEs to obtain credit before they can put their business ideas into practice. Promoting market development both in microfinance and in business services therefore makes sense.

[33] The projects that incorporate microfinance have the same average start date as projects that do not. Thus, no trend is evident with respect to the integration of microfinance into MSE development programs.

- Services provided to 100,000 small farmers, 32 associations, and 150 association staff members.
- 1,200 farm families.
- Estimated 40,000 farmers.
- Target is to impact 3,000-5,000 producers.

Client Characteristics:

Sub-sectors/industries: Many USAID enterprise development projects focus on a single industry or sub-sector, while others promote two, three, or as many as six areas of economic activity. The most common emphasis, which occurs in 48 of the 149 projects, is exclusive focus on agriculture/agribusiness. No fewer than 91 projects include agriculture/agribusiness as at least one of their areas of emphasis. Other popular areas for project focus are:

- Horticulture (actually a branch of agriculture): 26 projects
- Tourism: 20 projects
- BDS: 16 projects
- Handicrafts: 15 projects
- ICT: 13 projects
- Textiles: 10 projects
- General manufacturing: 10 projects
- Aquaculture: 9 projects

Many different sub-sectors are represented by smaller numbers of MSE development projects. These include: apparel; biotechnology; cashmere; construction; e-commerce; education; exports in general; financial services; forestry/forest products; furniture; health services; leather goods; meat; metal products; natural resources; pharmaceuticals; processed foods; public services; software; transportation; wood products; and wool.

Markets targeted: Given the limitations of local markets, many projects aim to increase participation in export markets, whether regional or global, but most of these target the local market as well. Out of 114 USAID projects for which information on the intended market was obtained, 28 focused exclusively on the export market while 65 others tried to boost sales to foreign as well as domestic markets. Twenty-one projects were directed solely at the domestic market.

Size of firms targeted: As stated at the beginning of this paper, the intention has been to include in the inventory all programs that seek to develop MSEs by linking them into more profitable value chains. Hence all the included USAID programs are believed to work with micros and/or small enterprises. However, we were unable to obtain information on the scale of client enterprises for many of the programs, while for others that deal with enterprises in various size categories it was hard to determine the degree of emphasis given to MSEs. The 83 projects for which information on the scale of client enterprises was obtained can be tabulated as follows:

- 30 projects targeted micro and small enterprise exclusively
- 21 projects targeted micro, small, and medium enterprises
- 20 projects targeted microenterprise exclusively
- 8 projects served all scales of enterprise
- 2 projects targeted small, medium, and large enterprises
- 1 project (in Palestine) targeted large enterprises exclusively
- 1 project targeted small enterprises exclusively

Among all donors, USAID pays the most attention to microenterprises, in part because it is mandated to do so by Congress. As mentioned earlier, USAID has recently begun to target small as well as microenterprises. Other donors tend to refer to small enterprise development and some of their projects also target medium-scale firms. The IDA/IFC projects that are currently being designed and launched in eight African countries aim at making micro, small, and medium enterprises more competitive.

Are clients located in rural or urban areas, or both? Most USAID MSE development programs deal with clients in both urban and rural areas. This is the case for 70 of the 117 programs for which such information was obtained. Forty-two projects deal exclusively with rural enterprises, while a mere five programs operate solely in urban areas. Many of the rural projects were naturally concerned with agriculture and agribusiness, while the five urban-only projects dealt with urban MSEs in Azerbaijan, Mongolia, Russia, and Palestine, as well as with training in Sierra Leone.

Innovative Features in USAID Programs:

Caveat: This section and the two sections that follow it (on successful elements and problems encountered) are all based on self-reporting. The information provided is therefore based on widely varying standards and measures and probably involves considerable selectivity in reporting and upward bias. These limitations reflect the state of the industry, as reported in the AMAP-BDS review of evaluations, which found that few recent enterprise development projects have been objectively evaluated.[34]

Our database of USAID enterprise development projects includes many claims of innovative features by the implementing contractors. The following are some examples:

[34] L. Zandniapour, J. Sebstad, and D. Snodgrass. 2004. *Review of Impact Assessments of Selected Enterprise Development Projects.* AMAP MicroReport #4. Bethesda, MD: Development Alternatives, Inc. and QED Group Ltd. (July).

- The project will not have long-term local staff; after 12-18 months of training, staff members will be encouraged and assisted to find positions in the private sector or government.

- The project promotes trade links through study trips (by primary producers to a U.S. processor, by U.S. customers to the project area).

- U.S. farmers work as volunteers in a transition country as main service providers, trainers, and technology providers.

- The program [in an African country] is introducing simple grain dryers and making them available to small farmers. Farmers' organizations are being used to promote the role of women in the rural economy and communicate vital HIV/AIDS prevention messages.

- The project focuses on how to develop/improve the capacity of export companies to upgrade the small producers they source from through embedded BDS. This is innovative, since most projects focus on producers and their supply chain constraints.

- The project works with an association that has a unique ability to gain large-volume garment contracts, then sub-contract production to a large number of association members; the association is completely self-financing.

- Interventions were completely demand-led, based on information from international handicraft importers on what was needed to make local products more competitive; export companies were seen as key to solving problems faced by MSE producers.

- Project team acts as "angel investors", helping clients define their business needs and providing implementation and limited financial support. Consultants seek out, package, and implement deals with local companies to benefit SMEs.

- Heightened focus on expansion of leasing activities is seen as critical for the growth of SMEs, particularly in rural areas. The project helped to increase the flow of financing to the "missing middle"[35] by facilitating the leasing of needed equipment.

- The project has streamlined business regulation procedures for SMEs, reducing the first step in business creation from a two-day to an immediate process. It also developed simplified tax forms and procedures. This will increase government revenue and save valuable time for small businesses.

[35] In this context, 'missing middle' refers to the difficulty in obtaining finance that is experienced by many small but growing firms that are no longer eligible for, or adequately served by, microfinance programs, but are not yet large enough or well enough established to qualify for credit from banks and other mainline financial institutions.

- The project developed a strategy for a health care services cluster.

- An evaluation of constraints and needs of small exporting firms revealed unforeseen need for low-cost, locally available technical assistance in management consulting, product development, and post-harvest handling. The project created a roster of low-cost local consultants in relevant technical areas, then matched consultants to the particular needs of individual firms.

- The project adapted to private sector demand by dropping long-term training of business professionals to free up resources for high-demand activities such as short-term in-country training and shared financing of targeted trade and investment missions to the U.S.

- Business information is spread through a Hotline for Entrepreneurs, which provides trustworthy and updated information on legal and regulatory aspects, government decisions pertaining to small business, and services provided by business associations to their members.

- The project helps clients meet demands of domestic and international markets, e.g., by training towards ISO 9002 certification. It also promotes exhibiting at trade fairs and assists with marketing strategies, design of promotional materials, and business plans to raise finance.

- The program will be flexible and design/introduce new market development interventions on an ongoing basis in response to changes in the market. It will invite tenders from local business service providers and facilitators to pursue a combination of supply- and demand-side interventions, as well as information dissemination techniques, to stimulate commercial transactions. This strategy aims to maximize utilization of local resources and expertise, and encourage market sustainability.

One might question how genuinely innovative these reports are. Not all of them appear to reflect new ideas, strategies, activities/mix of activities, technologies or technological applications, or new forms of partnership.

Successful Elements in USAID Projects:

Here are some examples of the many successes cited by USAID program implementers:

- Creating a trade and brokerage enterprise, an agribusiness leasing enterprise, and a pilot processing and packing facility.

- Developing coalitions, influencing policy reform, and helping association members become more competitive and successful.

- Facilitating several strategic alliances between U.S. and local firms that promote technology transfer, create trade, and improve processing capabilities in the animal feed and dairy industries.

- Introducing value-added processing techniques, such as fryers for making banana chips, and organizing rural trade fairs where input suppliers, producers, processors, wholesalers, and retailers can meet and do business.

- Facilitating business partnerships between agribusiness associations and private sector input suppliers and financial service providers, with impressive results.

- Attracting many foreign buyers who had not sourced from the country before. Facilitated participation of local exporters in Frankfurt trade show (normally a five-year wait to get in). Upgraded both export company and producer skills.

- Exceeding project goals, achieving good balance between assisting larger existing export firms and providing intensive production and marketing technical assistance to smaller firms, many of which had never exported. Contributed to increases in exports, direct foreign investment, and creation of permanent jobs through promotion of non-traditional exports.

- Identifying key areas for intervention in an East African country. Attracted Asian manufacturer as investors. Designed private auction system to improve marketing of high-grade coffee to European roasters. Introduced new techniques to catch fresh water fish for European market. Leveraged cooperation of South African mobile phone investors to increase telecommunications coverage, enabling producers to get current price information, and improve quality.

- Developing Foreign Investor Advisory Councils to work with local government and regional investment promotion agencies to prepare road maps of the licensing and permitting process. Reinvigorated local chambers of commerce, which work with local governments to attract and retain investors.

- Helping more than 40,000 farm families produce high-value agricultural products, tripling yields and income from these products, e.g., by improving marketing and seed distribution.

- Negotiating agreements for two new satellite centers for the Agricultural Information Center in the two leading agricultural states. Trained 42 agribusiness bankers in methodology for appraising agribusiness loans. Worked with an export development authority to extend the shelf life of mangos for shipment to Europe.

- Pursuing an innovative approach to maximizing impact in the poorer regions by linking them commercially to intermediate cities. Also, facilitated public-private partnerships to develop infrastructure such as roads and transportation services.

- The Mission [in a Balkan region] says this is its flagship project. To date, the project has helped more than 700 firms improve their operations, marketing, and accounting and has facilitated more than 5 million Euros of new trade and investment through business training, facilitation of credit, and legal aid.

- Created SME business centers, bridged the gap between MFIs and SMEs, incited private sector investment in horticulture, and facilitated changes in government policy and outlook toward SMEs. Created a fish processors' and exporters' association.

- The number of companies served by business service providers has quadrupled. The project has created a network of consulting organizations that work with each other and similar networks in other countries, thus encouraging cross-border collaboration, trade, and the exchange of ideas and resources.

- Project initiated a beef cattle industry in [an East European country]. Facilitated the formation of an association of wine exporters. Trained farmers in the marketing of vegetables and specialty products in accordance with requirements in the European market. Organized a cooperative effort with California strawberry growers. Drew up policy recommendations for export promotion and presented them to the Ministry of Agriculture.

- Providing business training to SMEs [in another East European country]. Strengthened BSP infrastructure through training and development to better serve SMEs. Increased capacity of business associations to serve SME members. Developed new businesses in rural areas. Improved access to market-driven business skills through use of vouchers. Improved capabilities of professional trainers. Improved access to business information and credit.

- Project combined firm-level assistance with association strengthening. More than 95% of client companies report substantial cost decreases and increased efficiencies as a result of project support. Client companies averaged a 25% increase in exports in the first 12 months of assistance. The market information provided has received excellent feedback and media visibility has served to highlight opportunities and successes in the SME sector.

- Huge increase in cash market for rural producers achieved in a poor region of an East European country by helping local communities to mobilize. Producers can now access new sales for raw materials produced/gathered by companies and cooperatives supported through project grants. Improved marketability (quality, packaging, etc.) from client companies helps ensure long-term market viability.

- Project [in a Central American country] has expanded from three to seven locations and reached 16,000 farmers and countless indirect beneficiaries. Introduced low-cost, environmentally sustainable drip irrigation systems and a bicycle water pump that allow farmers to dramatically reduce the time and labor needed to irrigate their fields. The project also managed disaster assistance following severe storms brought on by El Nino.

- The most successful element of the program [in a South American country] was its capability to effectively address commercial opportunities. It succeeded in establishing the yellow sweet onion as the most important non-traditional export, generating millions of dollars in annual sales and revitalizing a region now devoted to the cultivation of this crop.

Problems Encountered:

The materials that we gathered mentioned no problems for the majority of USAID MSE development projects. Nevertheless, some projects did reveal difficulties that they had experienced with either the demand for the products being promoted, the business environment, or their own effort to strengthen enterprises' supply response. In several countries, border wars, internal unrest, regional insecurity, or the presence of refugees from a neighboring country harmed small business and made it difficult for any type of intervention to succeed. In other cases, problems were cited with local institutions, the USAID Mission, or the project design itself.

Here are some examples of problems encountered with the business environment:

- Procurement problems arose with local NGOs. Their equipment failed to perform to the technical specifications requested. The procurement element of the project was not sustainable.

- In an East European country, high customs duties on raw material imports and product exports were barriers.

- Another East European government did not support business development, provided insufficient credit to SMEs, and had poor infrastructure.

Examples of problems with product demand:

- A crafts project faced diminished markets because of recession in the US and EU. Also, the crafts people are very poor and need training to change their traditional designs.
- Achieving consistency in product quality was a problem.
- International price changes prompted a project in Africa to shift emphasis from sale of oilseed presses to export of the oilseeds.

The longest list of problems involved program design, funding, implementation, and local support:

- Although good contacts were made at a trade show, immediate sales were low. It was a challenge to integrate the different levels of subcontractors and intermediaries between export companies and producers into the capacity building process.
- The cost of container shipping from a West African country was high and the number of airfreight carriers declined, leading to higher costs and fewer options. Many exporters lacked education and formal sector experience.
- Another project faced a lack of understanding and local buy-in, as well as cooperation from local institutions. Also, USAID lost interest after the project was completed.
- A project was unable to persuade enough participants to pay their own way on a trade mission to the US. Also, the local government failed to make critical timely decisions.
- A Central Asian country lacked appropriate financial products, was economically isolated, and erratically applied laws and policies relating to SME development (e.g., VAT and tariffs).
- The local private sector was skeptical of the value of donor activity. It would not invest in participant training in the U.S., which it viewed as expensive and risky.
- In a couple of cases, contractors claimed that USAID under-funded the project.
- Program clients lacked access to credit in several countries. In one case, pump sales were hurt because they were tied to credit. Also, it was hard to build a distribution network so that products promoted could be sold quickly.
- Long turnaround times for industry experts caused missed opportunities and loss of credibility. During the project, the USAID Mission barred the use of experts from

countries other than the US; this was a major problem because the US lacked expertise in some of the industries involved.

- Skilled and qualified management is scarce. In agribusiness, the risk is high and the profit margin low. There is a lack of market research and awareness of competitiveness.

- Building up NGOs and MFIs as BDS providers crowded out commercial development in one country. Unless proper market research is done, sub-sector work can have marginal impact and sustainability. Projects should avoid over-dependence on sub-sectors that have temporary competitive advantages, such as favorable trade treatment from Japan. The failure to work hard to create support services at the beginning limits long-term impact and sustainability.

- By far the greatest difficult was getting finance for MSE agricultural products.

- The biggest problem was developing a capacity for quality and the designs needed for contemporary markets.

Current Best Practices

Besides describing current and recent donor programming for small enterprise development, this review also sought to determine which of their projects the donor agencies regard as good examples of current practice. Nominations were received from all four of the donors included in this review,[36] along with sufficient information to get at least some idea of how the projects work. We also studied some recent USAID RFPs[37] to determine how the Agency is designing enterprise development projects at present (see the following section). This section summarizes our findings about the projects that are highly regarded by the respective donors. The reader is warned that we did not examine the basis for these nominations, for example whether their favorable ratings are based in part on objective evidence such as an impact assessment.

USAID: USAID/MD nominated seven "good" enterprise development projects that have successfully developed and benefited MSEs. These projects have been implemented in Bangladesh, Honduras, Mali, Morocco, Peru, and Uganda (two projects) by the Iris Center, Fintrac, Action for Enterprise, DAI, Chemonics (two projects), and Carana Corp. They are variously categorized as trade, agribusiness, business service, competitiveness, or finance, and generally not as pure BDS or MSE development projects.[38] This reflects USAID's recent effort to recast BDS/enterprise development programs and integrate them with broader development initiatives.

All of the nominated USAID programs take a value chain or sub-sector approach. These projects try to develop MSEs by focusing on project demand – by trying to understand the demand for the end-product and then attempting to do a better job of meeting that demand, with more participation by MSEs, within the value chain.

In seeking to understand what the customer/market wants, all the nominated programs except COMPETE focus on lead firms that are regarded as the value chain participants with the best understanding of market demand.[39] Program activities typically involve facilitation of linkages among producers, suppliers, and buyers/exporters/intermediaries; promotion of embedded business services; and fostering of commercial transactions. The idea is that improving links to the lead firm will motivate MSEs and other firms within the value chain to upgrade their productive capacity and performance. Many of the projects on the list also work directly with lead firms to help them identify new markets and learn how to respond better to market demands.

[36] The nominations were made by well-informed individuals within each of the donor agencies. See Annex G for a list of the projects nominated and brief descriptions of some of them.
[37] Listed and briefly described in Annex C.
[38] Four of the seven projects are characterized as trade projects, four as agribusiness projects, three as business service projects, two as competitiveness projects, and one as a finance project. Each project is deemed to fall into two categories, so the total number of characterizations is twice the number of projects.
[39] A lead firm is defined as any firm that acts as a portal to the market.

Several projects (JOBS, SEPA, CDA, and PRA) seek to exploit the knowledge of lead firms by facilitating embedded services through contracts and other commercial relationships between these firms and MSEs. These programs encourage lead firms to build stronger supplier relationships, using commercial incentives, in the expectation of increasing the mutual benefits of commercial relationships within the value chain.

Projects have also grouped producers together because it is more cost-effective to work with MSEs through associations and producer groups (JOBS, SEPA, CDA, IDEA, and MAPP). Recognition of the importance of such groups has led to focused capacity-building activities such as direct technical assistance, technology transfer, and training. Some programs have also worked to improve finance through producer groups, cooperatives, or associations to help MSEs obtain working capital or purchase equipment.

All these "good" USAID projects work explicitly to expand exports. This focus on the export market reflects recognition that the project must work globally to fully understand and meet market demand.

Some of the projects work to improve the business environment through associations or public/private councils to address regulatory constraints within an industry or value chain (PRA, MAPP, JOBS, and SEPA). Working within a sub-sector or value chain helps a project focus its interventions.

World Bank Group: The World Bank cited 11 "good" Access to Business Services projects (see Annex G). Three of them were implemented by the Mekong Project Development Facility (MPD), whose project development program offers business services directly to SMEs and trains business service providers. Three others were implemented by the IFC's Africa Project Development Facility, whose objective is to provide business service and enterprise support services to SMEs by building the capacity of business service providers.

Many World Bank Group projects designate SMEs as the range of enterprises with which they will work, although some explicitly include microenterprise. Many projects have worked through associations, either to help these organizations improve their abilities to serve their members or to help build the organization itself.

A few World Bank Group projects[40] have tried to facilitate business linkages that enhance transactions, often operating through lead firms. Examples are the Tigar Linkage Program in Serbia and the Manual Distribution Centers (MDCs) in Nairobi, Kenya. Most of the World Bank

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[40] Among those listed in Annex G: E-commerce Platform/Portal for Hotel Associations (Cambodia, Laos, and Vietnam); Capacity Building for Soft Drink Manual Distribution Centers (Kenya); Linkage/Supply Chain Tool for Consultants (associated with Tigar/Michelin Linkage Program (Serbia); and Kilombero Business Linkages Project (Tanzania).

Group projects examined, however, did not take a linkage or value chain approach. Rather, they emphasized training and capacity building and typically addressed a narrow range of issues. If a project focused on an industry, the goal was not so much to understand the market demand for the product or service supplied but more to build up the capacity of those who would supply the product or service.

Most interventions were subsidized and there was usually no clear strategy for achieving commercial sustainability.

World Bank/IFC enterprise development projects emphasize management training and the delivery of business services. Typical activities include the creation of training materials in business management, training of faculty and consultants for entrepreneurial development, and accreditation of training institutions. An example is the Business Edge Global (briefly described in Annex G, below), which develops training content suitable for SMEs and helps partner organizations in several countries respond effectively to SME demand for management training.

The World Bank appears to work more closely with host governments than the bilateral donors examined and shows less interest in public-private dialogue.

IDB: The IDB listed just five projects as good examples of its work in small enterprise development. We examined these projects and also studied an IDB report, “Lessons Learned in the Promotion of Business Development Services Markets: An Analysis of the Inter-American Bank’s Experience from 1995-2002” (translation of Spanish title cited earlier). In 1995 the Bank shifted from direct provision of training and assistance in technology to small enterprises, which had proven unsustainable, to an emphasis on BDS market development. Through the Multilateral Investment Fund (MIF), established that year, the IDB employs a variety of instruments including equity investments, soft loans, and grants. The MIF emphasizes small enterprise development.

BDS projects supported by the IDB have aimed to:

- Improve the quality of business services being offered in the market.
- Create sustainable and competitive business service markets that will eventually cease to be dependent on public funding, grants, or vouchers for their viability.
- Increase awareness of local business service providers and of the value of their services among potential clients.

In 2002 the IDB decided to shift to an industry- or cluster-specific approach, but the projects that we examined are more horizontal or cross-sector in their approach.

The design of IDB projects appears to be based on an assumption that lack of access to business development services is a key constraint to enterprise growth. Affecting the end market – consumers or buyers of goods and services produced by small enterprises – seems to be a secondary consideration at best. The projects nominated by the IDB all work with implementing agencies that act either as facilitators of the provision of BDS by stimulating demand and increasing supply or as direct providers of business services (although the latter is usually supplemented by some effort to stimulate the market).

According to the IDB's own criteria, successful projects:

- Bring about positive evolution of the institutional capacity and training of the executing unit of intermediary agency.
- Build a true understanding of the market development objective into the project design.
- Have a capacity to produce and manage information.
- Select appropriate institutional mechanisms and incentive systems.

Reviewing the five IDB projects nominated as good by the Bank (see Annex G), it is clear that the emphasis has been on the strengthening of implementation and facilitation agencies. This approach clearly helps to build local institutions, but it may also foster dependence and may not lead to financial sustainability in the long run. The IDB, in its own review, notes that it has achieved better results working with private institutions than with public institutions. It also finds that vouchers, which it used in several projects, effectively stimulate the supply of business services but have a weak impact on client enterprises and market sustainability.

USAID'S Cutting Edge: Recent RFPs

Annex C summarizes nine recent USAID RFPs which were reviewed to determine how the Agency is programming support for MSE development at present. These RFPs are for projects in, respectively, Armenia, Azerbaijan, Croatia, East and Central Africa, Egypt, Georgia, Ghana, Mongolia, and Uganda. Again, the fact that USAID is no longer designing projects that are limited to MSE development or BDS market development stands out. Instead, it is integrating these activities and objectives with other approaches in an effort to meet a variety of pressing development concerns. These recent project designs are primarily intended to promote economic growth, create employment, and alleviate rural poverty. Their main proposed means of doing so is to link producers to better markets for their products. Often the intended beneficiaries are farmers and the value chain in question runs through agribusiness and leads to global and, to a lesser extent, regional and local markets. Everything is intended to be market-driven.[41]

Here are some general observations that come out of the review of recent USAID RFPs:

- Seven of the nine RFPs[42] emphasize the importance of market linkages through value chains. Most, however, do not specify particular value chains to be promoted.
- Five RFPs[43] call for work on policy and regulatory reform, in recognition of the importance of complementing supply-side intervention with improvement in the business environment.
- Five of the nine projects[44] emphasize institutional development, in some cases (Croatia, Egypt) because foreign assistance is expected to end in the next few years, requiring that a higher level of national self-sufficiency be achieved.
- Improvements in the financial system and its ability to serve MSEs were integrated into the project in four instances.[45]
- These RFPs varied widely in terms of the specificity and detail with which they outlined the activities to be undertaken by the contractor and the results that were expected to flow from those activities. The most comprehensively specified project in the group was the Ghana Agricultural Trade and Investment Program, while the other pole was represented by the Mongolian Economic Reform and Competitiveness Activity, which left a large portion of the program design work for the contractor to do.
- As has been the case for a number of years, projects that were expected to help MSEs develop went under a variety of labels. The projects in Azerbaijan, Egypt, Ghana, and Uganda all sought to enhance the performance of agriculture and other rural enterprises. The project in Armenia emphasized microenterprise development, while that in Croatia targeted the performance of SMEs and the one in Georgia was aimed at enterprise growth regardless of scale. The East and Central African regional project focused on trade, while the project in Mongolia spoke of policy reform and competitiveness.

Summary and Discussion of Findings

This review sought to gain a better idea of the size, scope, and range of MSE development programs that major donors have implemented in the past few years, are carrying out at present, and are proposing to implement in the near future. By reviewing this experience and developing

[41] The devil is in the details; we do not know whether the implementation of these projects in practice will be as purely market-driven as the language used to describe them.
[42] All except Armenia and Croatia.
[43] Armenia, Azerbaijan, Croatia, Georgia, and Ghana.
[44] Armenia, Azerbaijan, Croatia, Egypt, and Ghana.
[45] Armenia, Croatia, Georgia, and Uganda.

a typology of programmatic approaches to MSE development, we hoped to draw out some implications of these activity patterns for impact assessment methodology, including the possibility of developing a generally applicable assessment methodology. In this final section of the paper, we will try to determine how well these objectives have been achieved.

Summary of Descriptive Findings:

Program settings: One-third of USAID projects are in Sub-Saharan Africa and another third are in Europe and Eurasia. Roughly two-thirds are in developing countries and one-third in transition countries. One-half of USAID projects in developing countries are in low-income countries; nearly all the rest are in lower-middle income countries. Forty percent are in countries where GDP per capita stagnated or declined in 1990-2002; another 35% are in countries where GDP per capita grew slowly during this period. Most of these settings offer low and slow-growing demand for MSE products and services, emphasizing the need for both access to export markets and accelerated economic growth.

Two-thirds of DFID projects are in Africa, primarily in former British colonies. The remainder are scattered around the world. DFID also has a major cross-country activity: the global Business Linkages Challenge Fund, which encourages large firms from developed or developing countries to link up with smaller enterprises in developing countries.

The World Bank Group has a similar number of projects to USAID but concentrates more on developing countries and less on transition economies. One-half of its “access to business services” projects are in Sub-Saharan Africa.

IDB works exclusively in Latin American and the Caribbean, spreading its projects fairly evenly across the region.

USAID’s implementing agencies: USAID contracts out responsibility for implementing its MSE development projects to firms and NGOs, often to ACDI/VOCA, Chemonics, or DAI. The practices of DFID, the World Bank, and IDB are mixed. They may work more with government agencies and manage more projects themselves than USAID.

Project duration: USAID’s projects vary in duration, ranging from less than two years up to more than seven years in a few cases. IDB projects typically last for 40 months, according to the Bank, but complex projects may be extended to considerably longer periods.

Terms of assistance: USAID runs an all-grant program and benefits from being able to fund private bodies (both non-profit and for-profit) in addition to governments. The World Bank and IDB must deal with governments when they make sovereign loans, even if the aim is to develop private firms. They also make some grants and also some equity investments, which until recently have been confined to large enterprises.

USAID project objectives: Statements of objectives vary widely among USAID enterprise development projects. In developing countries, improvements are sought at several levels, including the sub-sector, the producer's association, the individual enterprise, and the household. Hoped-for improvements relate to income, value added, competitiveness, and managerial capacity at the enterprise and producer's association levels. There is little sense of an explicit causal model, in which achievement of a goal at one level becomes a means of moving toward achievements of higher-level goals.

USAID projects in transition countries emphasize the goals of strengthening the private sector in general, mobilizing private interests to push for policy and regulatory reform, improving understanding of how a competitive private sector works, and achieving competitiveness in regional and global markets.

Intervention strategies: USAID's recent RFPs make it clear that the Agency is no longer designing projects that are limited to MSE development or BDS market development. Rather, it is integrating these activities and objectives with other approaches in an effort to meet a variety of pressing development concerns. These recent project designs are primarily intended to stimulate economic growth, create productive employment, and alleviate rural poverty.

DFID promotes achievement of the Millennium Development Goals through pro-poor economic growth and private sector development. It furthers these objectives by encouraging cooperation among the state, the private sector, and civil society through market solutions.

The World Bank Group has increased its lending for MSME development in recent years. The Bank's ABS projects try to promote increased use of business services, usually but not always on market principles.

Many recent and current USAID projects target specific sectors, usually in agriculture or agribusiness. Many use a value chain approach. Often these projects work through business associations, farmers' associations, or cooperatives. A few projects seek to build capacity in the business service industry or increase competitiveness through cluster development. Recent RFPs reflect a shift by USAID to greater emphasis on the importance of market linkages through value chains. In most cases, they also call for work on policy and regulatory reform and on institutional development.

DFID and other donors tend to divide their activities among three familiar areas: financial services, business development services, and the enabling environment. Projects often combine activities in two or more of these areas. World Bank Group projects include a wide range of intervention strategies, with heaviest emphasis on training and entrepreneurial development. A significant number of Bank projects try to link SMEs with lead firms.

Promotion of clusters and value chains: About two-thirds of the USAID projects studied promote either clusters or value chains. A focus on the value chain within a specific sub-sector is far more common within these programs than the newer approach emphasizing clusters, which typically cut across sub-sectors. Competitiveness projects based on the cluster approach do exist in at least eight countries as well as in the Southeast Asian region. Cluster programs appear to be undertaken less frequently by other donors, although the World Bank and other donors have launched cluster programs. Work with value chains is more common.

Business services: subsidized or commercial? Although USAID's policy for some time now has been to develop sustainable commercial provision of business services, the overwhelming majority of USAID MSE development projects still subsidize the services that they provide or facilitate. Only a few projects reported commercial provision of services. Similarly, some World Bank projects subsidize business services through voucher systems without either building in a declining subsidy element over time or limiting repeat use of subsidized services by particular clients.

Grouping of clients: Nearly all USAID projects work with groups of clients, often farmer or business associations.

Combining microfinance and/or policy advocacy with business services: Most of the enterprise development projects reviewed here include efforts to improve the business environment, in the belief that such improvement is often needed if supply-side interventions are to succeed. Few of these projects combine finance with business services, even though installing new methods of production and marketing often requires additional finance. USAID also has a large number of pure microfinance projects, which were not included in this review.

Increasingly, other donors' enterprise development projects complement business service and market linkage activities with efforts to improve the business environment and also in some cases to deepen the financial system. In most of the countries where DFID works, enabling environment and financial deepening activities complement BDS work, although they may not be included in the same projects. Similarly, the new IDA/IFC MSME competitiveness projects in Africa all incorporate one or more intervention in each of these three areas.

Sub-sectors/industries promoted: Many USAID projects focus on a single industry or sub-sector, while others promote two, three, or as many as six areas of economic activity. About one-third of all projects focus exclusively on agriculture/agribusiness. Other popular areas are horticulture (actually a branch of agriculture), tourism, and handicrafts.

Markets targeted: Many USAID projects aim to increase participation in export markets, whether regional or global, but most of these projects target the domestic market as well. A few projects were directed solely at the domestic market.

Sizes of firms targeted: Among all donors, USAID pays the most attention to microenterprises. Recently USAID has broadened its attention to include small as well as micro enterprises and to integrate MSEs into broader development programs. Other donors tend to refer to SME development, although microenterprises are sometimes included in their project designs. The new IDA/IFC projects in eight African countries aim to make micro, small, and medium enterprises more competitive.

Program successes claimed: USAID program implementers cite many achievements, but the successes claimed are measured at various levels, gauged by a variety of measures, and seldom substantiated by rigorous impact assessment. The actual degree of success achieved by these programs – or those of other donors – thus remains largely unknown.

Program problems reported: A few USAID projects revealed some of the difficulties that they experienced. In several countries, border wars, internal unrest, regional insecurity, or the presence of refugees from a neighboring country harmed small business and made it hard for any type of intervention to succeed. In other cases, problems were encountered with local institutions, the USAID Mission, or the project design itself. Examples cited (see list above) make it clear that designing and implementing enterprise development projects in many of the countries in which USAID works is a challenging endeavor.

Program Typology:

Another purpose of this review was to define a typology of donor programs that seek to accelerate the development of micro and small enterprises in developing and transition countries. As we have seen, the programs covered in this review fly under many different flags, but they all seek to strengthen enterprises' supply response to market demand in one or more ways. They can be called micro or small enterprise development programs, BDS market development programs, microfinance (or financial sector deepening) programs, competitiveness programs, trade and investment promotion programs, agribusiness programs, or sub-sector development programs. These labels are not always good guides to program content, since similar activities are often carried out in programs with different labels.

A better approach to creating a typology of MSE development programs is to classify programs by two criteria:

- The points at which they intervene. At the highest level of generalization, projects attempt to improve the business environment and/or strengthen the supply response of enterprises to incentives. At the next level down, they try to loosen specific constraints in the business environment or improve enterprise performance by working in product, business service, financial, or input markets. Projects must select intervention points, based on assumptions about the causal paths that may run from these intervention points to the project's ultimate objectives.

- The methods by which they intervene. Having chosen an intervention point, what specific activities does the project undertake? Does it provide services or facilitate them? Does it work with individual firms or groups of firms? Does it concentrate on the business service market or range more widely? Does it stress inter-firm relationships along the value chain (vertical) or within a local cluster (horizontal)? Is there a viable exit strategy to achieve sustainability? Are specific devices such as vouchers or national competitiveness councils used?

We believe that all these possible variations can be covered by a single model, different parts of which would apply to different cases. At the outset of this paper we presented a model of the determinants of enterprise development, based on an earlier attempt by Snodgrass and Winkler (2004). It posits that, broadly speaking, enterprise development arises from three sets of factors: the demand for its products, which reaches the firm via a value chain that stretches from the primary producer to the ultimate consumer or user of the product or service involved; the business environment in which it operates, which determines the transaction costs and risks involved in trying to meet product demand; and the strength of the firm's supply response to the incentives created by market demand, as conditioned by the business environment; this is determined by factors internal to the firm as well as by its access to inputs, finance, business services, technology, labor, and land.

The model suggests that enterprises have incentives to develop (grow and upgrade themselves) when the demand for their products rises, when the governance system in their value chain favors expansion and/or upgrading, when the business environment in which they operate improves, and when their ability to respond to profit incentives is strengthened. Although product demand can be regarded as given, or at least outside the ambit of enterprise development projects, value chain linkage offers intriguing opportunities for intervention. The business environment is composed of a large number of elements, many of which are surely important for business development. There is widespread agreement that improving the business environment has great potential for stimulating enterprise development, yet evidence on which reforms will have the biggest payoff remains slim.[46]

While there is a clear trend toward including policy and regulatory reform as components of enterprise development programs, the projects that we have reviewed here emphasize measures intended to strengthen the supply response of micro and small firms. Such efforts are not new, but at least three important trends can be detected:

- Program design has moved away from work at the firm level, which was cost-ineffective because of the large number of clients and the variety of needs for training and technical

[46] The current emphasis on regulatory reform, stimulated by the World Bank's *Doing Business* series and its *World Development Report 2005*, usefully calls attention to the importance of the business environment and proposes quantitative measure of its quality, but the relative importance of the elements of the business environment that it emphasizes, let alone of the specific measures that it promotes (e.g., simplifying the process of registering a business and lowering its cost), remain uncertain.

assistance that they had,[47] and toward programs that either work with existing producer and trader groups or try to form such groups.

- The rhetoric on program design has shifted away from direct provision of business services, often by government agencies and NGOs, to donor facilitation of private provision on a market price, sustainable basis. The success achieved in the 1980s and 1990s in making microfinance sustainable in a fairly wide range of settings led to the emergence of the BDS market development paradigm, to which all major donors have subscribed through the Committee of Donors for Small Enterprise Development. As we have seen, however, actual project designs do not always follow the agreed principles. Implementing the BDS market approach appears to be difficult, especially where microenterprise clients are concerned. Also, while compelling evidence is lacking because impact assessment studies have not been done yet, it may be that building business service markets by itself cannot make a critical contribution to MSE development.
- Most donor interventions try to improve MSE access to one (or more) of three kinds of markets: product markets, input markets, and business service markets. The most recent trend, in which USAID has taken the lead, gives highest priority to product market access, stressing the role of value chains (and sometimes clusters) in facilitating that access. The view seems to be that even successful efforts to boost production and productivity are not enough if the resulting product cannot be sold at a reasonably remunerative price. Economic development inherently involves the progressive widening of markets, which has accelerated in the current period of rapid globalization. The key to success (or even, in some cases, to survival),[48] USAID now believes, is helping micro and small enterprises link into value chains that will provide them with better markets for their outputs and stronger incentives to grow and upgrade. The emphasis on value chains also recognizes that many business services used by MSEs are embedded in commodity transactions, rather than being bought and sold in a free-standing business service market.

Returning to the question of typology, therefore, we can say that while the list of available options has not changed, most supply-side intervention programs now try to improve access to product markets, particularly by working with value chains. They place less emphasis on finance and on fee-for-service business services than programs did just a few years ago. Other possibly important factors -- such as access to appropriate labor and skills, entrepreneurship, and access to land – remain on the back burner as before. Meanwhile, the perceived importance of improving the business environment (at least certain aspects of it) has increased.

Implications for Impact Assessment:

[47] See the argument to this effect in Donald R. Snodgrass and Tyler Biggs. 1996. *Industrialization and the Small Firm: Patterns and Policies.* San Francisco: International Center for Economic Growth, pp. 127-146.
[48] In some cases, at least, globalization is working against market access for MSEs and intervention may be needed merely to offset or ameliorate the effects of negative developments.

Impact assessment is needed to improve our understanding of which approaches to MSE development work best, and in what settings. AMAP set out to build on the experience of AIMS in measuring the impact of microfinance programs by developing and applying methodologies for measuring the impact of BDS market development programs. From the start, it was evident that methodological adjustments would be needed as we made this move. Now, however, the paradigm has shifted again and we need to develop methodology for measuring the impact of MSE development programs that may still include BDS market development as one of their elements but put more emphasis on product market access, particularly through value chains.

Work on this problem is ongoing. The constant element in it is that to design a valid impact assessment one must start with an understanding of the causal model of the intervention program: What it is trying to achieve and through what causal sequence it proposes to bring about the desired results. To this should be added that we need to go back one more step and build in an understanding of the setting in which the intervention is taking place. The model of the determinants of enterprise development fills this need by describing a set of factors that determine whether an enterprise grows and upgrades itself, including a sub-set of factors that is potentially subject to intervention. Within that sub-set, particular project designs choose different intervention points as well as different selections from a range of possible intervention instruments. Thus, there is one causal model for all enterprise development interventions, from which particular causal paths are selected for particular project approaches.

Five important methodological implications of the changes that have been taking place in MSE development programming are already evident:

- When the objective is to develop a sub-sector or a market, rather than to raise the values of certain impact variables at the enterprise or household level, quasi-experimental methodology, which compares results for a participant sample with those of a control group, is no longer available because no plausible control group exists. Other methods to measure, or at least approximate, impact at these levels need to be devised.

- Even when impacts on particular enterprises or households are to be measured, the potential for spillover of benefits from program participants (e.g., MSEs that work directly with lead firms) to others that receive some of the information disseminated second-hand or have commercial dealings with participants complicate comparisons between participant and control groups.

- The random assessment method, which is advocated by many scholars and some World Bank specialists, may have limited applicability to impact assessment of MSE development programs because it requires that program participants as well as control group members be selected at random from a defined population. This consideration conflicts with one desirable characteristic of an enterprise development program: that the participants should be self-selected to the extent possible. In terms of evaluation methodology, this introduces a selection bias. Quasi-experimental impact assessments, which compare program participants with constructed control groups, must take this problem very seriously and correct for the bias as best they can.

- Many of the new-style projects include several interventions, of different types and aimed at different target groups. In these circumstances, it may be impossible to measure the impact of the project as a whole. What may be more feasible is to measure the impact of some of the specific interventions included in the project. However, the problem of determining what contributions each of the project's multiple activities made to observed impacts may be a challenging one.

- In projects where targeted sub-sectors and project-supported interventions are not defined ahead of time, collecting baseline data can be a problem.

ANNEX A

PRO FORMA FOR PROJECT DATA COLLECTION

- Program name and location.
- Donor sponsor.
- Implementing agency.
- Start and end dates.
- Funding level.

- Statement of major program objectives.
- Description of intervention strategy.
- Major program activities:
  - Clusters or value chains promoted.
  - Value chain constraints targeted.
  - Services (BDS, FS) provided directly (subsidized), or is commercial provision promoted?
  - How are clients organized or grouped?
  - Is microfinance included?
  - Is policy advocacy to improve the business climate included?
- Scale of operations (clients/year).
- Client characteristics:
  - Sub-sectors/industries.
  - Markets targeted (local, regional, global).
  - Start-ups and/or new businesses.
  - Sizes of firms (distribution or range).
  - Rural and/or urban.
- Innovative features of program,
- Its most successful elements.
- Major problems encountered.
- Program evaluation.
  - Yes/No/Unknown.
  - If evaluated, when and by whom; availability of report.
  - If planned, issues to be addressed and evaluation methodology.

ANNEX B

LIST OF USAID MSE DEVELOPMENT PROJECTS

LAC

Bolivia:

- Assistance to Agribusiness Worker/Producer Associations
- Bolivia Export Development and Export Promotion (BOLINVEST)
- Market Access and Poverty Alleviation (MAPA)

- Consolidation of Alternative Development Efforts (CONCADE)

Bolivia, Peru: Andean Artisan Enterprise Initiative (AAEI)

Brazil: Cooperative Development Program (CDP) in Amazonia

Caricom and Dominican Republic: Caribbean Trade and Competitiveness Development Program (C-TRADECOM)

Colombia:

- Colombia Agribusiness Partnership Program (CAPP)
- Colombia Enterprise Development Program (CED)
- Specialty Coffee Program (Coffee Plus)
- Alternative Development (CAD)

Dominican Republic: Policies to Improve Competitiveness in the Dominican Republic

Dominican Republic, Costa Rica, El Salvador. Guatemala, Honduras, Nicaragua, Panama: Quality Coffee Program in Central America and the Dominican Republic

Ecuador:

- Ecuador Northern Border Income and Employment Project
- Trade and Investment Program

El Salvador: Equitable Rural Economic Growth Activity (CRECER)

Guatemala: ATA/AGEXPONT Guatemala

Haiti:

- Capacity Building of Business Association (INDEPCO)
- Hillside Agriculture Program (HAP)

Honduras:

- Policy Enhancement and Productivity (PEP)
- Centro de Desarrollo de Agronegocios (CDA)

Jamaica:

- New Economy Project (NEP)
- Small Business Export Development Project

LAC Region: Develop Free Trade and Reduce Business Constraints in the LAC Region (LAC Trade Project)

Mexico: Lead-Free Pottery Alliance

Nicaragua: Technical Services to Small Farmers

Peru:

- Microenterprise Support and Poverty Alleviation (PASOS)
- Creating Conditions for Economic Revitalization
- Microenterprise and Smaller Producers Support Program (MSP)

E&E

Albania:

- Small Business Credit and Assistance Program (SBCA)

- Enterprise Development and Export Market Services (EDEM)
- Small Business and Microenterprise Development Project

Armenia:

- Microenterprise Development Initiative (MEDI)
- Agribusiness SME Market Development (ASME)

Azerbaijan:

- Central Area Economic Opportunities (CEO)
- Community Economic Revitalization Project (CER)
- Cluster Access to Business Services (CABS)
- Azerbaijan Economic and Enterprise Development Program (EDD)
- Social Investment Initiative (SII)
- Community Employment and Economic Opportunities Program (CEEOP)

Bosnia: Linking Agricultural Markets to Producers (LAMP)

Bulgaria:

- Assistance for Bulgarian Policy Reform and Advocacy Strengthening
- Agribusiness Support Project (ASP)

Bulgaria, Croatia, Romania, Hungary, Serbia, Macedonia: Trading Regionally and Developing Expertise (TRADE)

Central Asia:

- Central Asian Republics Enterprise Development Program
- Central Asian Republics – Small and Medium
- Trade Facilitation and Investment Activity

Croatia:

- Croatia Agribusiness Enhancement Project (ACE)
- Raising Incomes in Economically Distressed Areas (RIEDA)
- Croatia Competitiveness Initiative

Georgia:

- Support Added Value Enterprises Activity (SAVE)
- Seed Enterprise Enhancement and Development Project (SEED)

Kosovo:

- Kosovo Agricultural Transition Project (KART)
- Kosovo Business Support-Employment Generation Program (KBS)
- Kosovo Business Development Services and Center
- Kosovo Construction and Employment Program

Macedonia:

- Agribusiness Association Support Project (MASS)
- Made in Macedonia
- Macedonia Business Resource Center (MBRC)

Mongolia:

- Strengthening Participation and Institutional Capacities in Enterprise and Market Development (SPICE)
- Mongolia Competitiveness Initiative (TCI)

- Gobi Regional Economic Growth Initiative – Phase II (Gobi II)
- Support to Enterprises and Economic Development (SEED)
- Rural Agribusiness Support Program (RASP)

Poland: GEMINI Private Enterprise Development Support Project

Romania:

- Agribusiness Development Project (RAD)
- Romania Agribusiness Development Activity (RADA)
- Enterprise Development and Strengthening Program

Russia:

- Farmer-to-Farmer Russia
- Entrepreneurial Business Services (EBS)
- Regional Economic Policy and Investment Strategy (REPAIS)
- Agriculture Privatization Support Initiative Design – Russia
- Integrated Business Services (IBS)

Serbia: Serbia Community Revitalization through Democratic Action (CRDA)

Tajikistan: Pro-Poor Agricultural Development

Ukraine and Moldova: Economic Growth through SME Development (BIZPRO)

AFR

Benin: Benin Small-Scale Irrigation Project

Botswana: Capacity Building of SEPROT: A Network of Enterprise Development Organizations

Burkina Faso:

- Burkina Faso Oil and Staple Foods Project
- Burkina Faso Small Scale Irrigation Project

Congo (DRC): Market Approaches to Livelihoods Improvement (MALI)

Eritrea: Rural Enterprise Investment Partnership (REIP)

Ethiopia:

- Smallholders Linkages Program (SHLP)
- Southern Tier Initiative for Pastoralists/Agro-pastoralists (STI)
- Agricultural Cooperatives in Ethiopia (ACE)

Ghana:

- Promotion of Embedded Business Services in Ghanaian Export Markets
- Ghana Trade and Investment Reform Program

Greater Horn of Africa (Kenya, Tanzania, Uganda, Ethiopia): Worldwide Farmer-to-Farmer (WWFtF)

Guinea: Guinea Natural Resource Management

Guinea, Indonesia, Mali, Senegal: Partnership and Economic Growth

Kenya:

- Kenya Maize Development Program (KMDP)
- Export Development Support Project

- Agribusiness Development Support Project
- Kenya BDS

Madagascar:
- Madagascar Trade and Investment Activity
- Jumpstarting the Malagasy Economy (AGOA)

Malawi:
- Smallholder Agribusiness Development Project (SADP)
- Community Partnership for Sustainable Resource Management

Mali:
- Development of Business Services and Shea Butter Sector of Mali
- Strengthening Market Linkages: A Demand-led Approach to Crafts Sales in Mali
- Trade Promotion (Mali Trade)
- Mali Oils Project

Mozambique:
- Cooperative Development Program (CDP)
- Reinforce Business for Rural Development (RENDER)

Nigeria: Rural Sector Enhancement Project

Rwanda: Agribusiness Development Assistance (ADAR)

Senegal: DynaEnterprises Senegailise (DES)

South Africa:
- South Africa Agribusiness Linkages Program (AGRILINK)
- Tourism Enterprise Program (TEP)
- Southern Africa International Business Linkages (SAIBL)

Southern Africa: ComMark

Tanzania:
- Private Support for Enterprise Activities (PESA)
- Business Center
- Tanzania Oil Seeds and Staple Foods Project
- Tanzania Small Scale Irrigation Project

Uganda:
- Rural Economy and Agriculture Project (REAP)
- Competitive Private Enterprise Support and Trade Expansion (COMPLETE)
- Investing in Developing Export Agriculture (IDEA)
- Support for Private Enterprise Expansion and Development (SPEED)

Zambia:
- Zambia Agribusiness Technology Center (ZATAC)
- Zambia Trade and Investment Enhancement Activities (ZAMTIE)
- Smallholder Market Creation

Zimbabwe: Linkages for the Economic Advancement of the Disadvantaged (LEAD)

NEAR EAST AND NORTH AFRICA

Egypt: Agricultural Linkages (AgLink)

Jordan:

- Access to Microfinance and Improved Implementation of Policy (AMIR I)
- Achievement of Market-Friendly Initiatives and Results (AMIR II)

Morocco:

- New Enterprise Development (NED)
- Morocco Agribusiness Promotion Project (MAPP)

Palestine:

- Market Access Program (MAP)
- Small Business Support Project (SBSP)
- Palestinian Enterprise Revitalization Project (PER)
- Promoting Industrial Zones and Investment Mobilization (PRIZIM)

ASIA

Bangladesh:

- Agro-based Industries and Technological Development Project Phase II (ATDP II)
- Bangladesh Rural Enterprise and Agriculture Development II (BREAD II)
- Job Opportunities and Business Support (JOBS)

India:

- Agricultural Commercialization and Enterprise (ACE I)
- Creating New Markets for the Poor with Micro Irrigation Technology

Indonesia, Philippines, Vietnam: Sustainable Cocoa Extension Services for Smallholders (SUCCESS)

Nepal:

- Market Access for Rural Development (MARD)
- Nepal Smallholders Irrigation Market Initiative
- Nepal Tree Crop Global Development Alliance

Pakistan: From behind the Veil: Access to Contemporary Markets for Homebound Women Embroiderers

Philippines:

- Agribusiness System Assistance – Philippines
- Growth and Equity in Mindanao (GEM)
- Growth and Equity in Mindanao (GEM II)

Sri Lanka: Sri Lanka Competitiveness Initiative

Thailand, Vietnam, Cambodia: Southeast Asia Competitiveness Initiative (SEACI)

Vietnam: Vietnam Competitiveness Initiative (VNCI)

ANNEX C

RECENT USAID RFPs FOR MSE DEVELOPMENT PROJECTS

Armenia: USAID/Armenia Microenterprise Development Initiative. This 2002 RFP supported efforts to accelerate the restructuring of the economy toward a market orientation, both through improvements in the business environment and through increased attention to grassroots efforts to create jobs through MSMEs. It had four components:

- Microfinance: The contractor was asked to assist in developing the core competency of Armenia's nascent MFIs, in part through a grant program targeted to at least three of the best MFIs and through the building of an Armenian Microfinance Network.
- BDS: The contractor was asked to explore possibilities for developing the market for business services.
- Microenterprise association development and microenterprise policy support/action: Work to build up microenterprise associations nationwide and support the development of a national microenterprise development policy.
- Microfinance institutional/regulatory framework reform: Work to clarify recent legislation and build a legal basis for sustainable microfinance after donor funding dwindles.

Azerbaijan: Azerbaijan Rural Enterprise Competitiveness Program. The goal is to raise rural income and agricultural productivity through interventions to improve the competitiveness of agriculture and agribusiness. This is to be done through:

- Development of sustainable business associations with strong upstream and downstream linkages.
- Promotion of market-oriented production and processing enterprises.
- Development of market-friendly policy and regulatory systems.
- Market information systems.

One element of the program aims to reduce processed agricultural imports by increasing the quality, range, and volume of processed Azeri agricultural products able to compete with imports on local markets, thus raising incomes in rural communities and generating good-wage employment in processing and associated businesses. Another is to identify and focus on competitive products through a cluster approach by developing business associations and improving processing and marketing for vegetables, fruit, and animal products. Finally, the project hopes to improve the policy and regulatory environment.

Croatia: Enhancing Small and Medium Enterprise Performance in Croatia (ESP). According to this 2004 RFP, SME development in Croatia is limited by four obstacles:

- Although the policy and regulatory environment generally meets EU standards, its implementation disadvantages SMEs.

- While high-quality business services are available, they are too expensive for most SMEs and the SMEs do not always recognize the need for them.
- Business information is hard to come by.
- Many SMEs complain of problems accessing finance, even though the banking sector is advanced and there are many government and donor programs.

The RFP asks the contractor to address these problems (specific actions to be taken are not spelled out, since these are expected to be driven predominantly by private sector participants) and also to ensure that, with Mission graduation on the horizon, U.S. Government investment in the Croatian reform process has a lasting effect. The project will therefore support Croatian institutions and organizations that address and support issues of economic growth, enterprise performance, and investment promotion in a sustainable manner. Over the course of four years, the project is expected to create 20,000 jobs and support government reform efforts as opportunities emerge.

East and Central Africa: East and Central Africa Global Competitiveness Hub. This regional project is part of a broader U.S. Government initiative called Trade for African Development and Enterprise (TRADE), which seeks to:

- Enhance the competitiveness of African products and services
- Expand the role of trade in poverty reduction
- Promote U.S.-African business linkages
- Improve the delivery of public services supporting trade
- Strengthen African capacity for formulating and implementing trade policy
- Strengthen the enabling environment for African business

The project will pursue these goals in 18 countries in East and Central Africa by:

- Building capacity for trade policy formulation and implementation in the region, with specific emphasis on the WTO and COMESA (the Common Market for East and Southern Africa).
- Promoting business development and market linkages under AGOA (the African Growth and Opportunity Act).
- Harmonizing customs and trade facilitation policies for countries in the region, with emphasis on the Northern Corridor countries (Kenya, Uganda, Rwanda, Burundi, eastern Democratic Republic of Congo).
- Increasing the efficiency and reducing the cost of cargo transportation on the Northern Corridor and creating an operating model for replication by interested parties in other corridors.

Three cross-cutting issues are to be addressed by the project: gender, the environment, and HIV/AIDS.

Egypt: Agricultural Exports and Rural Incomes Project (AERI). This is the latest in a series of USAID projects intended to support agricultural development in Egypt. The project is expected to:

- Benefit 30,000 small and medium farmers through dissemination of improved production and post-harvest technologies
- Raise the volume and volume of horticultural products five-fold over the life of the project
- Expand production by at least 50% and raise productivity in livestock and dairy products for the domestic market
- Create sustainable trade associations
- Generate at least 40,000 new on-farm jobs through improved competitiveness in the horticultural sector

AERI combines five activities in pursuit of the overall goal of increasing on-farm and agribusiness jobs and rural incomes. The activities are:

- A grant program for smallholder groups to promote the targeted fresh and processed horticulture, livestock, and dairy sectors.
- Support to agricultural trade associations (to take varying forms, depending on the needs of the respective associations).
- Organizational support and technology transfer to smallholder horticultural and livestock producers.
- Improvement of Egyptian agricultural and biotechnology research through various forms of international linkage.
- Legacy program design: STTA to help the Mission conceptualize ways of ensuring the continuation of activities that support AERI's goals as assistance declines by 5% annually over the next ten years.

Georgia: Georgia Enterprise Growth Initiative (GEGI). This 2002 RFP is for a five-year program intended to create a free market business environment, further develop financial sector infrastructure, and raise the rate of enterprise growth. The project has three components:

- Demand-driven policy reform, which in turn has two sub-components:
    - Support to business associations to help them work more effectively with their members and government to improve the business environment and offer support services.
    - Partnership for Policy Reform, which will work with government agencies to improve implementation of market-oriented economic policy reforms.
- Increased access to finance through institutional strengthening. Planned activities include establishment of a credit information bureau to enable financial institutions to make informed credit decisions and a moveable property register to facilitate secondary lending.
- The Georgia Competitiveness Initiative, which involves, among other things:
    - Analyzing constraints to agribusiness development; assessing needs for changes in policies, regulations, and standards; and carrying out training and public education.

   - Providing technical assistance and organizational support to help agribusiness penetrate new markets, build capacity within agribusiness clusters, promote investment, and improve competitiveness for "special products and areas."

The contractor is asked to provide technical assistance, training, management information systems, grant management, and public awareness and donor coordination services.

Ghana: Agricultural Trade and Investment Program (ATIP). A draft RFP issued in April, 2004 specified work to be done on the business enabling environment and export business development as part of a broader strategy, coordinated with the Government of Ghana and other donors, to accelerate economic growth and poverty reduction. Work on the enabling environment included:

- Economic analysis, advice, and facilitation of policy and regulatory reform.
- Building public sector capacity for policy formulation, regulation, tax collection, and services in response to private sector needs.
- Promoting economic policy dialogue by working with economic policy research and advocacy institutions.

Work on export business development included:

- Improving the capacity of Ghanaian enterprises to access and supply foreign markets, in part by facilitating investment by overseas firms in Ghana and promoting buyer-seller, joint venture, and monitoring relationships.
- Integrating smallholder farmers into value chains for agro-processing and exports by working with agricultural enterprises that involve and/or serve small farmers and strengthening links between medium and large-scale farmers and exporters and farmers.
- Increasing the capacity of business entities and rural groups, especially export-oriented business associations and the BDS industry, to provide effective services.

This RFP is notable for the high level of detail to which the project has been worked out.

Mongolia: Mongolian Economic Policy Reform and Competitiveness Activity (EPRC). This 2003 RFP is for a three-year project to continue USAID activity aimed at:

- Accelerating and deepening the policy liberalization process in Mongolia
- Promoting increased competitiveness in the Mongolian economy

The project will be implemented through a demand-driven process, building on the cluster approach and a results-oriented agenda to improve cluster competitiveness. The RFP notes that the range of potential interventions is wide while EPRC resources are limited. Prioritization of activities is thus needed. Unlike many other RFPs, this one does not spell out planned activities in detail, but instead call for flexibility and creativity on the part of the contractor.

Uganda: USAID/Uganda Agricultural Productivity Enhancement Program (APEP). The RFP was issued in 2002 for a project to increase agricultural productivity and the marketing of key food and cash crops. The contractor is expected to collaborate with other donor projects to work within a government plan for modernizing agriculture and increasing agricultural exports.

Vertically integrated production-to-market strategies will be established to improve market access and enhance supply response. Several activities are planned:

- Rural-to-urban market linkages and trading centers will be examined to find ways of enhancing the efficiency of smallholder access to internal and regional markets.
- An approach will be developed to expand private sector input supply systems.
- A strategy will be formulated to enhance access to finance for producers, producer organizations, and marketing firms.
- Linkages will be developed with relevant Ugandan and international research organizations.
- The policy framework for agriculture will be analyzed with a view to developing a policy agenda that enables farmers and the private sector to compete more effectively.
- Quality standards will be improved.
- Special attention will be paid to northern Uganda.
- Institutions that support agriculture need to be strengthened, but project resource limitations dictate that activity toward this objective be highly selective.
- Cross-cutting issues like HIV/AIDS, gender, food security, trade, and conflict over land will be addressed.

As in the Mongolian RFP, steps to achieve these objectives are not specified in detail.

ANNEX D

LIST OF DFID ENTERPRISE DEVELOPMENT PROJECTS AS OF 2002

Bangladesh: South East -Asia Enterprise Development Facility (SEDF)

Kenya: Business Services Umbrella Project. Supports business market development activities such as production and technology development, marketing, and information dissemination. Several projects are subsumed under this umbrella:

- ApproTEC: micro-irrigation development and dissemination.
- Extension of the ApproTEC Ram Oil Press Promotion Project
- Kisumu Innovation Centre: product development and marketing support for SMEs in the Western region of Kenya.
- Business Growth Training Project (Mwezi Kali Project): enhancing private sector capacity to provide business services to SMEs.
- Business Partnerships Project: encouraging social responsibility in the private sector; engaging the private sector in poverty reduction.
- SEAS: enhancing the human resources of MSE service provider organizations.

South Africa:

- Financial Markets (FINMARK)
- Making Commodity and Service Markets Work for the Poor

Tanzania:

- AMKA: market promotion services.
- ApproTEC: micro-irrigation.

Uganda: Business services umbrella project.

- Market Development Approach Project, with minimum of 6 sub-projects over lifespan; managed by ILO.
- FIT (Uganda): supporting FIT to identify gaps in business-to-business information services (and market development) and treat as market opportunity.

South Africa:

- Making Commodity and Service Markets Work for the Poor (ComMark). Regional, multi-sectoral program using value chain and market development approaches (under design).
- British Investment Scheme (BIS): Promoting joint ventures between UK and SA SMEs.

- Small Business Development Program: Supports 5 NGOs on business training, skills training, and entrepreneurship development. Moving to market development approach.
- Private Sector Initiative (Small Business Project): Supports SBP on business linkages.
- Mineworkers Development Agency: Rural enterprise development. Includes training, marketing, indigenous product development. Introducing market development approach.
- Enterprise Training Fund: Redesigned to build capacity for private, for-profit BDS providers for SMEs.
- Business Linkages Challenge Fund (BLCF): [no description].

Lesotho, Swaziland:

- Making Commodity and Service Markets Work for the Poor (ComMark): Regional, multi-sectoral program using value chain and market development approaches (under design).
- LMA/LGC: Supports Lesotho Manufacturers Association (capacity building). Component on developing Basotho entrepreneurs to become CMT suppliers to exporters with Lesotho Garment Centre.
- Mineworkers Development Agency – Lesotho Project: Rural enterprise development. Includes training, marketing, indigenous product development. Has component with Institute of Migration; has been redesigned as a HIV/AIDS and private sector program.
- Business Linkages Challenge Fund (BLCF): [no description].

Botswana/Namibia:

- Making Commodity and Service Markets Work for the Poor (ComMark): Regional, multi-sectoral program using value chain and market development approaches (under design).
- Enterprise Namibia Foundation: Has a business linkages component.
- Business Linkages Challenge Fund (BLCF): [no description].

Malawi:

- DEDZA: Assists poor farmers to generate income and improve nutrition through a wide range of support services for agricultural rural business development (awaiting proposals to extend program nationwide).
- EAP: To increase the number of rural men and women engaged in sustainable and profitable economic activities.
- TEEM: To improve livelihoods of poor people through the expansion of market-led local businesses and exports.

Mozambique:

- ZADP/PROMIZA: Agricultural development program with microfinance component.
- PODE: To broaden private sector development. Has 3 components: (1) improving technical learning in firms; (2) loans to all firms through 2 credit lines; (3) help to promote private sector development. Supported by NORAD, WB, EDF, DFID.

Ghana:

- GEDPRO: Support to Empretec Ghana Foundation, a demand-led BDS provider. Program also assisted in establishment of GESO, a business link organization modeled on BESO.
- Ghana BLCF [?]
- AGSSIP: multi-donor rural livelihoods program working with Ministry of Food and Agriculture to improve the productivity of the agricultural sector currently being finalized. DFID helping to highlight opportunities for public-private partnerships.

Nigeria: A core part of the Rural Livelihoods Support Program is enhancing states' understanding of the market linkages in a number of key sectors (to reduce government intervention) and provide support facilitate effective linkages in the market [sic.].

Macedonia: Support to 3 enterprise support agencies that provide BDS to local SMEs.

Russia: SME Dissemination: Production of a package of SME materials based on 3 Russian projects on policy and BDS.

Ukraine: Strengthening BDS within Lugansk Oblast (proposed): Further development of SME development services within a holistic framework for social and economic regeneration of former coal mining towns in eastern Ukraine.

Jamaica:

- Program to enhance competitiveness of selected clusters (with USAID and WB).
- Jamaica Tourism Challenge Fund to broker linkages between mainstream tourism industry and local communities and SMEs.
- Increased integration of ED work into longstanding Jamaica Urban Poverty Program.

Belize: Rural livelihoods program covering enabling environment work, particularly on trade and competition policy issues (on hold).

Caribbean Region: Business Linkages Challenge Fund launched in Autumn 2001.

Nicaragua: PTP project will identify and test business development instruments for SMES, e.g. clusters. Results will form basis for national action plan for productive sector development.

India: SIBDI SME Project (PCN) for promoting competitiveness among SMEs (Finance, Technology, BDS, Markets (globalization/supply chain), Enabling Environment. Included in Calcutta services, Rural Livelihoods projects.

Bangladesh:
- Developing Enterprise in South Asia (DESA) – a multi-faceted project with IFC (in the planning stages – to start 2Q 2002).
- BEMAP – fair trade project with Traidcraft which is currently being restructured (to end soon).

Global: Business Linkages Challenge Fund. 18 million pounds to encourage and support linkages within a developing country and/or between domestic and international partners. Managed by Deloitte & Touche and Enterplan. Launched in Southern Africa and UK in Q1 2001, rolled out to Central Africa, Rwanda and the Caribbean in 2001.

ANNEX E

LIST OF WORLD BANK GROUP ACCESS TO BUSINESS SERVICES PROJECTS

Africa:
- Transfer of FUNDES Diagnostic Tool to APDF
- Africa Online E-touch

Albania, Bosnia-Herzegovina, FYR Macedonia, Serbia-Montenegro:
- Investment Services Consultancy Network
- Entrepreneurship Program CBF
- OSCE Youth “E” Program
- Business Case Competition
- Business Plan Competition
- Agribusiness Training: a) Producing to EU Standards and Marketing Practices for the EU Market and b) Strategic Planning (TOT)
- Entrepreneurship – Adult Entrepreneur Training Program
- Entrepreneurship – Faculty Development Program
- Entrepreneurship – Technical Training for Owners and Managers of SMEs
- Construction Industry – How to Put together Winning Bids and FIDIC Contact Management

Algeria:
- Strengthening Business Associations
- BDS Market Development (FUNDES)
- Supply Chain and Linkages
- Technical Support to SME Services

Azerbaijan: ACG/BTC Linkage Program I and II CBF

Bangladesh:
- Supply Chain in Light Manufacturing (Small-Scale Foundries)
- Supply Chain in Garment Production
- Development of a Training Network to Deliver Management Training to SMEs

Benin, Cameroon, and Mali: Management of Consultancy Assignments ‘
Training

Bolivia: PRODEM

Bosnia-Herzegovina: Entrepreneurship – Women's Entrepreneurship Initiative

Brazil:

- POEMA – Bolsa Amazonia
- SEBRAE – Odebrecht Foundation
- Instituta Tierra

Cambodia:

- E-commerce Platform for Phnom Penh Hotel Association
- Support Siem Riep Angkok Hotel and Guesthouse Association (SGHRA – Phase I and II
- Capacity Building to Handicraft Organization NEYEMO
- NCDP (National Center of Disabled Persons)
- CHED CBF
- Business Edge TV Show
- Internet Portal for Handicraft Sector
- SME Management Training Program – Business Edge
- Hagar Design and Hagar Design II Projects

Cameroon: GICAM BDS Program

Cameroon, Guinea, Cote d'Ivoire, and Senegal: Consultant Training in Financial Advisory Services for Investment Projects

Cameroon and Mali: Local Consultants Accreditation Program

Chad:

- STEP Replication
- Chad Cameroon Pipeline Linkage Program
- Chad-Cameroon Training Program

China:

- Consultancy Development Program (BPIP)
- Sichuan Environmental Capacity Building Project – Phase II
- Auchan Linkage Program
- Michelin Distributor Development
- Corporate Governance Program
- New Hope Dairy Farm Linkage Project
- SME Management Training Program Business Edge

Colombia: Bavaria

Egypt: SME Management Training

El Salvador:
- Quality Improvement Consulting (Swiss Contact)
- General Consulting

Gambia: Gambia Organic Farmers

Ghana:
- EMPRETEC/APDF Business Growth Program
- GNAPS
- Industrial Sub-contracting and Partnership Exchange (SPX)
- People Project Foundation (PPF)
- Tongo Foods Outgrower Scheme
- Citrus Development Program
- Corporate Village Enterprise (COVE) PSI/ASCO – Cassava
- Partnership for the Industry Development of Fruits and Vegetables (includes Technoserve, Amex, CARE and MSU projects funded by USAID)
- Graduate Enterprise Program
- AHOLD
- CWSA/Ghana Voucher Program

Global:
- Aid to Artisans
- NOVICA
- Strengthening Business Associations in Africa and Asia (DI, CIPE, and CME)
- SME Export SEAF
- Business School Net (MBA)
- SME Toolkit
- SME Export SEAF

India: SEWA

Indonesia:
- Makassar Supply Chain
- Depasar Supply Chain

Kazakhstan: Ispat Karmet SME Resource – Environmental Training Course CBF

Kenya:
- Performance Management Program
- Beekeeping and Honey Processing Program CBF

- Capacity Building for Soft Drink Manual Distribution Centers (MDCs), associated with SABCO Linkage Program
- Capacity Building for Professional Associations
- Kenya Voucher Program
- Quality Management Systems and HAACP for SMEs in the Food Sector
- Privatization of Animal Health Delivery
- Leadership and Corporate Governance Program
- Enhancement of Business Training Skills among University Lecturers

Kyrgyz Republic: Kumfor SME Resource CBF

Laos:
- SME Management Training Program Business Edge
- E-commerce Platform for Lao Hotel Group

Macedonia:
- Entrepreneurship Video Production
- Agribusiness – HACCP Training
- Chief Financial Officer Development Program

Madagascar: Indian Ocean SME Support Center (SSC)

Malawi: Quality Systems Development Training

Mali:
- Consultant Accreditation Course
- Mali BDS Development Organization (FUNDES)
- Capacity Building/Technical Assistance to the Federation Nationale des Artisan du Mali (FNAM)
- STEP Replication
- Trickle-up

Morocco:
- Strengthening Business Associations (Federation to IT Sector Business Association)
- BDS Market Development (Business Associations)
- Strengthening Business Associations (AZIT)
- BDS Market Development (Diagnostics)
- Facilitate Information Exchange

Mozambique:
- SME Quality Management Systems and Accreditation

- PROCESS Methodology (InWent/APDF)
- Mozal SMEELP: Mozal Aluminum Smelter MOZ-LINK

Nigeria:
- Grow your Business – Enterprise Development Services (EDS), Lagos Business School
- STEP – Eket Linkages with Exxon
- Fate Foundation
- STEP
- Linkage Program in Rice
- Training Program to Suppliers for Shell Petroleum Development Corporation (SPDC)
- Supply Chain Program in Catfish Industries
- Capacity Building and Skills Development for EDS Providers as part of Cluster Program

Peru:
- Craft Center/AEN
- Yanacocha Linkage Program (I and II)
- BDS Information System Magazine (Swiss Contact)

Senegal:
- Building Diagnostic Capacity of Local Consultants (FUNDES Diagnostic)
- AFD SME Upgrading/Diagnostic
- SPIDS Productivity Improvement Watchdog

Serbia: Linkage/Supply Chain Diagnostic Tool for Consultants Accenture (Tigat/Michelin Linkage)

Serbia and Montenegro: General Management Development Program

South Africa:
- CERF/IIEC (Bricks for Houses)
- People Project Foundation (PPF)
- Building Diagnostic Capacity among Local Consultants
- Quality Management System Training
- Women's Entrepreneurship Program (Business Associations, i.e. SAWEN)
- New Millennium Information Services (Technocenter Roll-out)
- Hillside Empowerment and Linkages Program (HELP)
- Today's Entrepreneurs Training Programs
- Building Consultant Capacity (InWent/APDF)
- ICT Business Solutions for Women Entrepreneurs

- Endeavor Model in South Africa
- Center for Entrepreneurship (University of Cape Town)
- South Africa Voucher Program

South Africa + 2 other African countries: Endeavor Model in South Africa

Tanzania:
- Technoserve
- BDS Market Diagnostic (Swiss Contact)
- UDEC/APDF Business Growth Program
- Leadership and Corporate Governance Program
- Kilombero Business Linkages Project (KBLP) CBF
- Building Capacity among Local Consultants
- Equipment Maintenance Training Program

Turkey: ACG/BTC Linkage Program I and II CBF

Uganda:
- Village Phone Uganda Grameen Foundation USA/Grameen Technology Center
- Management Skills Improvement Capacity Building
- Leadership and Corporate Governance Program Capacity Building

Vietnam:
- SME Management Training Program Business Edge
- Export Development – Trade Finance Guidebook
- Garment Development Export Development – WRAP Certificate
- E-commerce/Internet Vietnam Budget Hotels
- Business Association Capacity Building

West Africa: ECOBANK Post-Financing Mentorship

Zambia:
- Building Consultant Capacity (BEST-KCM Linkage)
- Export Document Training/Export Readiness Assessment Program
- KCM II
- Building Diagnostic Capacity among Local Consultants (NORSAD)

ANNEX F

LIST OF IDB GROUP BDS PROJECTS

1. General technical assistance and training

   Argentina:
   - Programa red de centros de servicios empressariales.
   - Support services for microenterprises – CGE.
   - Programa de diversificacion de mercados de exportacion de pequenas empresas.
   - Programa de apoyo al desarrollo empresarial.

   Belize: Trade promotion and business development.

   Bolivia:
   - Nonfinancial services for urban microentrepreneurs (IDE).
   - Apoyo a pequenas y microempresas.

   Chile: Programa para la competitividad de la pequena empresa.

   Colombia: Programa establiecimiento centros de desarrollo empresarial.

   El Salvador: Pilot training program for microenterprise.

   Honduras: Apoyo al sector productivo y las pequenas empresas.

   Mexico:
   - Centro de productividad en Jalisco.
   - Programa de apoyo a la integracion productive.

   Nicaragua: Fortalecimiento del Mercado de servicios empresariales.

   Peru:
   - Centro de desarrollo empresarial.
   - Promocion de la inversion para pequenas empresas.

   Regional: Desarollo de la capacidad empresarial.

   Uruguay:
   - Fortalecimiento de pequenos comerciantes.
   - Marketing support program for microenterprises.
   - Promocion de la inversion para pequenas empresas.
   - Creacion del Centro de Desarrollo Empresarial.

   Venezuela: Capacidad competitivad de las PYME.

2. Training services

   Argentina:
   - New Enterprises Advisory Center (CANE).
   - Sistema de gestion de los recursos humanos.
   - Orientacion a pequenos comerciantes.

   Brazil: Programa tecnologias de la informacion “Rios Informatico.”

   Ecuador: Voucher training for microenterprises.

   Guyana: Desarrollo del Mercado de servicios de formacion para microempresas.

Mexico:

- Inversion en RH para desarrollo empresarial regional en Nueva Viscaya.
- Mexico. Proyecto de modernizacion de los mercados laborales.

Panama: Proyecto piloto sistema de entrenamiento y empleo orientado a la demanda.

Peru:

- Sistema interactivo de educacion tecnologica a distancia.
- Promocion de nuevas empresas juveniles en Peru.

Regional:

- Desarrollo capacidad empresarial para nuevos emprendedores.
- Desarrollo capacidad empresarial para nuevos emprendedores.
- Desarrollo capacidad empresarial para nuevos emprendedores.

3. Quality and environmental norms.

Colombia:

- Introduccion de normas de gestion de calidad y medio ambiente.
- Gestion ambiental de tecnologias limpias.

Costa Rica: Programa de apoyo a la competitivad del sector del software.

Mexico: Modelo Guia para ejecucion de los sistemas de gestion ambiental.

Nicaragua: Programa para mejorar la competitividad de las pymes mediante el uso de normas de gestion de calidad y seguridad alimentaria.

Regional: Gerenciamiento de la calidad para PYMES.

Uruguay:

- Fortalecimiento de la capacidad competitiva de las pymes de Uruguay mediante los normas ISO.
- Fortalecimiento de la capacidad competitiva de las pymes de Uruguay mediate los normas ISO..

4. Technology services

Brazil: Apoyo a incubadoras tecnologicas.

Chile: Desarrollo de las pequenas empresas tecnologicas.

Costa Rica:

- Apoyo al empleo de la biodiversidad por pequenas empresas.
- Desarrollo de proveedores para empresas multincionales de tecnologia avanzada.

Panama:

- Mejora dei ambiente de negocios para empresas medioambientes.
- Apoyo a acelerador de negocios tecnolicos.

5. Science and technology

Argentina: Programa de modernizacion tecnologica II.
Brazil: Programa de ciencia y tecnologica.
Chile: Programa de desarrollo e innovacion tecnologica.
Colombia: Investigacion cientifica y desarrollo tecnologica.
Ecuador: Programa ciencia y tecnologia.
Panama:

- Programa de apoyo a los sectores productivos.
- Programa de respaldo al establecimiento de un centro superior de ciencia, tecnologia e innovacion en Panama.

6. Indigenous and/or traditional industries

Bolivia: Apoyo a la pequena empresa industrial.
Colombia:

- Formacion tecnica para la industria del papel.
- Servicios de asesoria y formacion tecnica para la microempresa.

Honduras: Program de competitividad del sector de la confeccion.
Nicaragua: Iniciativa privada para el desarrollo de RH: Sector de la construccion.
Paraguay: Competitividad en el sector de la construccion.

7. Agriculture and fisheries

Argentina: Assistance for small rural producers – FAA.
Bolivia:

- Programa de capactitacion de empresas agropecuarias.
- Programa de capactitacion de empresas agropecuarias.
- Programa de capactitacion de empresas agropecuarias.

Colombia: Programa de asistencia tecnica para agricultura en el Valle del Cauca.
Ecuador: Modernizacion servicios agropecuarios – PROMSA.
El Salvador:

- ?
- Programa de apoyo a la competitividad de los agronegocios.
- Nuevas microempresas de frutas y hortalizas organicas (CLUSA).
- Nuevas microempresas de frutas y hortalizas organicas (PROEXSAL).

Guatemala:

- Participacion del sector privado en capacitacion tecnica en las zonas rurales.
- Asistencia tecnica a productores agricolas no tradicionales.

Honduras:

- Agricultural training - Zamorano.
- Modernizacion de tecnologia agropecuaria.

Peru: Modernizacion de la formacion en el sector pesquero.
Regional: Programa de comercializacion para pequenas caficultores.

Uruguay: Programa para la mejora de la competitividad de PYMES.

8. Tourism and handicrafts
   Belize: Apoyo a la creacion de un programa de capacitacion en ecoturismo.
   Ecuador: Comercio electronico para pequenas productores artesanales y agricolas.
   Guatemala: Promocion del sector turismo.
   Jamaica: Sistema de gestion de los recursos humanos dedicados al turismo.
   Regional: Sistema de credenciales para la industria turistics del Caribe.
   Uruguay: Manos del Uruguay.

ANNEX G

LIST OF 'BEST' PROJECTS BY DONOR

NOTE: The following programs were listed as 'best', 'good', or 'successful' by sources within the respective donor agencies.

USAID

Poverty Reduction and Alleviation (PRA), Peru. Implemented by Chemonics. This market linkages program works through Economic Service Centers in 11 economic corridors throughout Peru to provide technical assistance, market assessment, and monitoring to relieve constraints in particular value chains. It also links buyers with producers by finding commercial brokers who coordinate and facilitate linkages. The commercial brokers provide training, advice, and quality control techniques to producers.
Specifically, the project:

- Facilitates access to markets, technical and managerial assistance, and financial support to exporters, producers, and processors in the value chain to lower to cost of entry into markets and broaden the participation of local people.
- Acts as an aggressive broker of deals between foreign and domestic investors and buyers, on the one hand, and producers on the other.
- Identifies policy-based constraints that restrict economic opportunities and increase transaction costs in each corridor.

Support for Export of Artisan Products (SEPA), Mali. Implemented by Action for Enterprise. This value chain project for the handicraft sector chose to center its activities around the exporters because they were regarded as most knowledgeable about market demand. The project:

- Promoted linkages between exporters and international buyers.
- Provided technical assistance to both exporters and producers.
- Worked with exporters to facilitate embedded services for producers (quality improvement, product development, and innovation).

Agribusiness Development Center (CDA), Honduras. Implemented by Fintrac. CDA uses a market-driven approach in numerous value chains to increase non-traditional exports. It works with over 300 lead firms (exporters, processors, and packing houses) that in turn work with farmers to create linkages. It also works with farmers and producer groups, with exporters, and with processors. On the supply side, the project introduces new crop production technologies and improves processing and post-harvest systems. It also works with exporters and buyers to understand demand and create linkages that help producers meet current market demands.

Investment in Developing Export Agriculture (IDEA), Uganda. Implemented by Chemonics. IDEA works to increase the production and sale of crops by promoting closer relations among Ugandan producers, buyers, and exporters. It works with small farmers to improve the efficiency and quality of low-value crop production. The project-sponsored Agribusiness Development Center provides customized technical assistance to grower associations and others on high-value crops. IDEA reports that it has introduced new technologies to over 120,000 farmers, provided technical assistance to growers' associations, and facilitated linkages among producers, buyers, and exporters.

Job Opportunities and Business Support (JOBS), Bangladesh. Implemented by Iris Center. This project combines the value chain approach with elements of the market development approach. To overcome some of the limitations that MSEs face when they operate on an individual basis, it organizes MSEs into cooperatives, associations, and producer groups. Specifically, JOBS:

- Fosters market linkages and inter-firm cooperation, linking MSE clusters to lead firms, mainly exporters, in a number of sectors.
- Promotes embedded services provided by lead firms in the form of training, quality control guidelines, and technology services.
- Builds MSE capacity by providing training in business plan writing, financial record keeping, and product diversification to help with access to finance.
- Identifies and analyzes policy constraints facing MSEs in the sectors concerned.

Morocco Agribusiness Promotion Project (MAPP). Implemented by DAI. This project provided private sector-oriented assistance to producer associations, private firms, and regulatory agencies to diversify and increase exports of horticultural products, increase employment, and raise farmer incomes. It also aimed to facilitate technology transfer, increase investment in Moroccan agribusiness, and help professional associations reduce regulatory constraints. MAPP worked along the value chain with farmers, producer associations, private firms (input and service suppliers), and post-harvest businesses (handling, packaging, processing, storage, and service suppliers).

Competitive Private Enterprise Support and Trade Expansion (COMPETE), Uganda. Implemented by Carana Corp. This is a competitiveness project focused on strengthening the export competitiveness of Uganda's principal economic sectors (coffee, cotton/textiles/garments, ICT, and fisheries). The project works through business associations, agricultural associations, and export associations to develop standards (for coffee, cotton, and fish), capitalize on AGOA to attract international buyers, and introduce new technologies. It established working groups for each of the chosen sectors to help create a national competitiveness strategy and function as drivers of change in their industries.

DFID

Business Linkage Challenge Fund (BLCF), global.

Making Commodity and Service Markets Work for the Poor in Southern Africa (COMMARK), South Africa, Lesotho, Swaziland, and Namibia. Implemented by ComMark Trust. This five-year project seeks to improve the functioning of markets in the Southern Africa Customs Union (SACU) countries, particularly for the benefit of the poor. In this endeavor, it must cope with high poverty levels, the impact of HIV/AIDS on communities, income inequality, and lack of opportunities for the poor as a result of highly disconnected formal and informal markets. ComMark will target a limited number of sub-sectors as it seeks to enhance commodity and service markets. Sub-sectors will be chosen based on size, overall growth prospects, presence of the poor, concentration of activity in poor areas, and the potential for interventions to impact positively on sub-sector performance and the position of the poor. Sub-sector programs will be implemented by stakeholders while ComMark provides technical assistance and facilitates policy development and stakeholder coordination. Project services are subsidized by DFID and other donors. The project works with government departments, business associations, trade unions, and other private sector entities. It tries to promote dialogue between the private and public sectors and improve the institutional and regulatory environments so that markets work more effectively.

Private Sector Initiative, South Africa.

British Investment Scheme, South Africa.

Project Development Facilities, 8 countries.

BDSM, Bangladesh.

FIT Programme, Uganda. Implemented by BASE. As part of DFID's poverty alleviation strategy, this project supports FIT Uganda Ltd. In delivering business development services to the SME sector. FIT Uganda works to develop profitable BDS within the private sector through provision of financial and technical assistance. DFID also funded the launch of a business information monthly newspaper for SMEs and the establishment of a pilot marketing company for small-scale food processors through a joint venture with a local company. The project is aimed at making BDS accessible and affordable to MSEs in Uganda. Services are subsidized, but the project recognizes the importance of having a good exit strategy that will allow for sustainability. Project activities also target the poor working with MSEs.

Business Service Market Development Project, Kenya. The project focuses on a small number of sub-sectors with potential for growth, improved efficiency, value addition, business opportunities, or employment. It has the explicit objective of developing sustainable business service markets in defined sub-sectors where the poor are economically active. This is expected to expand markets, create more diversity and linkages, and improve the access to business services of underserved groups. The project runs a grants program.

Kenya Long Term Micro Irrigation Project (August 1996 – August 1998) and Kenya Pedal Pump Project. Implemented by ApproTec. This project provides affordable and effective micro-irrigation and pedal pump technologies to small-scale farmers through private sector manufacturers, distributors, and retail stores. The goal of the project is to reduce poverty by raising the incomes of smallholders. It works with small-scale farmers whose only income sources are small plots that they own or working for wealthier farmers. The project allows smallholders to grow more crops and higher-yielding varieties than they could grow without irrigation. Services provided by ApproTec, a Kenyan NGO, include developing new irrigation technologies, training engineering companies to produce high-quality equipment, establishing effective private sector marketing methods, designing and developing commercially viable well-digging techniques to enhance the sale of irrigation equipment, and enduring that the private sector can train smallholders on how best to utilize irrigation equipment. Services were subsidized and project activities were sustainable as technology development and overhead costs were increasingly covered by other sources of funds such as income from technical consulting, training fees, equipment sales, and marketing levies.

Extension of the ApproTec Ram Oil Press Promotion Project (March 1998 – March 1999). Implemented by ApproTec. This project promoted the establishment of enterprises that produce and sell cooking oil and seedcake extracted from sunflowers and other oilseeds. General project objectives included increasing local production of oilseeds, strengthening a small-scale industry involved in production and processing of oilseeds, promoting efficiency and competition between the small- and large-scale producers, improving the nutritional health of the rural and urban populations, and generating employment. The project targeted subsistence farmers and MSEs involved in the production and processing of oilseeds. It worked with the sub-sector's poor so as to have the greatest impact on poverty. Services provided by ApproTec included training of local oil press manufacturers to enable them to develop oil press and filter business packages, promoting business linkages between oil press manufacturers and oil press retailers, promoting the oil press as a technology that is well suited for MSE needs, and facilitating linkages between private seed companies and subsistence farmers in order for seed companies to produce and distribute the right varieties to farmers.

Business Partnership Project, Kenya. Implemented by DFID-BPP. This project seeks to reduce the incidence of poverty in Kenya, especially among women. It works with NGOs, governments, and private businesses to develop and establish innovative approaches to improving the livelihoods of Kenyans. BPP supports risky projects as long as a viable long-term business plan can be developed. It favors projects that promote the protection of the environment and have potential for replication and scaling up.

Mwezi Business Growth Training Project, Kenya. Implemented by DFID-BASE, the project provides small businesses with improved management skills. It builds the capacity of service providing organizations such as accounting firms, consultants, and NGOs to offer small business programs. The project's overall goal is to reduce poverty, especially among women, and create employment opportunities for SMEs by supplying training and technical assistance to service providers. Its services are subsidized using a mechanism that reduces costs without creating dependency, so project activities are seen as sustainable. The project will also help improve access to finance by working with banks to improve their lending policies.

AMKA, Tanzania. Implemented by Traidcraft Exchange (TX). AMKA is a Tanzanian charitable trust set up by TX, a UK NGO that seeks to establish fair trading systems around the world. AMKA was established to take over from TX, which had worked with a limited number of clients in Tanzania. The goal of the project is to build AMKA's institutional capacity to assist SMEs in Tanzania to become more competitive and participate in the global trading system. To achieve its goal, AMKA provided technical, marketing, organizational, and financial planning assistance to producer groups, associations, intermediaries, and sole traders in the food processing, handicrafts, and light engineering sectors.

GEPRO, Ghana.

Day Chocolate Company, Ghana.

Jamaica Cluster Competitiveness Project.

World Bank/IFC

Business Edge Global, Cambodia, Laos, Vietnam, China, and Morocco. The Business Edge Global appears to be based on the premise that SME managers need management training and are not well served by existing programs. It develops training content suitable for SMEs and helps partner organizations in several countries respond effectively to SME demand for management training. The project works with donor and government agencies, private sector training companies, and consulting firms and has been implemented in Vietnam, Cambodia, Laos, China, and Egypt.

E-commerce Platform/Portal for Hotel Associations, Cambodia, Laos, and Vietnam. This MPDF pilot project works with hotel and guesthouse associations in the three countries to improve their marketing through the use of websites. Lack of IT knowledge and skills has prevented these SMEs from keeping up with recent trends in information technology. The websites help market the hotels and guesthouses and provide travelers with booking information. They also promote other SMEs in the tourism industry such as restaurants, bike rental companies, and tours. Apart from developing websites, the project also furnishes training and technical support to the associations to ensure high quality standards. It also works with local technology providers, cooperatives, industry associations, and e-market place owners.

Capacity Building for Soft Drink Manual Distribution Centers (MDCs), Kenya. Manual Distribution Centers (MDCs) were set up in Nairobi, Kenya to improve the distribution of beverages, increase market penetration and volumes, generate revenues, and create employment. Assistance took the form of diagnostics, skills development training, and business advisory services. The project has helped the MDCs by linking them to credit sources and business service companies. Project activities center on a lead firm, the bottling company (Coca-Cola), which facilitates linkages between MDCs and retailers, promotes embedded services through training of MDCs, and assists with marketing and distribution (e.g., through merchandising and branding). The bottler also provided supervisors and field representatives to help manage stock and achieve target sales volumes. This project can be seen as sustainable as it fosters contracts and transactions among the bottler, credit providers, and the MDCs.

Linkage/Supply Chain Tool for Consultants (associated with Tigar/Michelin Linkage Program, Serbia). The project helped a producer of rubber tires and goods find new business opportunities in a difficult business environment and also assisted its employees to found new SMEs. Implemented by Accenture Development Partnerships and SEED (ILO), the project provides technical and business services to both new and spun-off activities in areas such as marketing, logistics, supply chain management, and management information systems. Cooperation between Tigar and SEED led to new partnerships with public and private sector agencies that offered complementary services and products.

Entrepreneurship – Faculty Development Program, Albania, Bosnia-Herzegovina, Macedonia, Serbia-Montenegro).

Support Siem Riep Angkor Hotel and Guesthouse Association, Phases I and II, Cambodia.

Hagar Design and Hagar Design II Projects, Cambodia.

Local Consultants Accreditation Program, Cameroon and Mali.

South Africa Voucher Program.

Kilombero Business Linkages Project, Tanzania.

Garment Development Export Development - WRAP Certificate, Vietnam.

IDB

BONOMYPE (Capacity for Microenterprises in El Salvador). The project aimed to develop enterprise services in an ill-served region of El Salvador by working with FEDISAL, an organization with a history of developing the capacity of marginalized populations. FEDISAL used vouchers to develop markets for training in accounting, customer services, sales, team work, and manufacturing (e.g., bread making and sewing). No specific industry, value chain, or cluster was targeted. Increases in the numbers of service providers and service transactions were reported. Although client satisfaction is high, there appears to be little inclination for clients to purchase services on a full-cost basis.

FORTALECER, Argentina. The project's purpose was to improve the management of small rural producers in three regions of Argentina by providing BDS and strengthening institutions. These regions had been poorly served by the public sector and ignored by the private sector. Implemented by the Federation of Argentine Agraria (FAA), the project offered services itself at a price that reflected a declining subsidy element and assisted business service providers. Over four years, the number of service providers reportedly rose by 70% and some 10,000 small producers improved their managerial capacity, were integrated in export chains, diversified their production, participated in new markets, and increased their revenues.

ACTUAR, Medillin, Colombia. The project tried to increase the productivity and competitiveness of family microenterprises in the slums of Medellin, Colombia. It was carried out by Actuar Famiempresas, which provided both credit and BDS. During its first two years, the project concentrated on building up the capacity of ACTUAR. Later, ACTUAR provided technical assistance and training directly on a declining cost-sharing basis (businesses paid 60% of the cost initially). Services provided included marketing, production methods for different food items, product development, and assistance in meeting health and safety standards. Clients reported a high level of satisfaction with the services received.

Rio Informatico in Brazil. The aim was to increase access to information technology for low-income residents and microenterprises in the slums (*favelas*) of Rio de Janeiro. The project was implemented through two Brazilian NGOs. Training and equipment were subsidized initially, with the hope that eventually the service would be sustainable. Slum residents were given training that qualified them for further training in a prestigious center whose graduates were in high demand for IT jobs

Improving the Competitiveness of the Costa Rican Software Industry (PROSOFTWARE). This IDB project sought to increase the competitiveness of the software industry in Costa Rica by investing in human resources, implementing quality standards for software production, and strengthening the association of software producers, which implemented the project. It was reported that companies that purchased services on a subsidized basis began to see their value and were becoming increasingly willing to pay for them, to the benefit of the industry.